

COMPREHENSIVE PROJECT AGREEMENT
FOR THE
SACRAMENTO ENTERTAINMENT AND SPORTS CENTER

between

CITY OF SACRAMENTO,

SACRAMENTO BASKETBALL HOLDINGS LLC,

SACRAMENTO DOWNTOWN ARENA LLC,

and

SACRAMENTO KINGS LIMITED PARTNERSHIP

Dated as of: May 20, 2014

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COMPREHENSIVE PROJECT AGREEMENT
FOR THE
SACRAMENTO ENTERTAINMENT AND SPORTS CENTER

This Comprehensive Project Agreement for the Sacramento Entertainment and Sports Center (this "**Agreement**"), dated May 20, 2014 (the "**Effective Date**"), is between the City of Sacramento (the "**City**") and Sacramento Basketball Holdings LLC, a Delaware limited liability company ("**HoldCo**"), Sacramento Downtown Arena LLC, a Delaware limited liability company ("**ArenaCo**"), and Sacramento Kings Limited Partnership, a California limited partnership ("**TeamCo**"). HoldCo, ArenaCo, and TeamCo are sometimes each referred to as a "**Kings Party**" and collectively as the "**Kings Parties**." The City, HoldCo, ArenaCo, and TeamCo are sometimes each referred to as a "**Party**" and collectively as the "**Parties**."

BACKGROUND

HoldCo is the parent company of ArenaCo, TeamCo, SREG, the SREG Subs, and SG (all as defined below).

TeamCo owns the National Basketball Association franchise currently known as the Sacramento Kings (the "**Team**").

The City and HoldCo approved the non-binding Sacramento Entertainment and Sports Center Term Sheet dated March 23, 2013 (the "**Term Sheet**"), setting forth the Parties' desires and intentions regarding (i) the development of a proposed entertainment and sports center (the "**Arena**") on the land located in downtown Sacramento between 3rd and 7th Streets and J and L Streets (the "**Downtown Plaza**") that will serve as the Team's home and be used to host the Team's home games, and will also host family shows, concerts, community-oriented events, and other sporting and entertainment events, (ii) the ownership, financing, design, development, construction, occupancy, use, maintenance, and operation of the Arena (the "**Arena Project**"), (iii) the redevelopment of the Downtown Plaza by HoldCo or its Affiliates, and (iv) certain other matters.

The City and HoldCo have entered into (i) the Sacramento ESC Predevelopment Process Agreement, dated October 22, 2013, to govern certain predevelopment activities for the Arena Project (the "**Predevelopment Process Agreement**") and (ii) the Sacramento ESC Predevelopment Expenses Agreement, dated September 24, 2013, to provide a mechanism for reimbursing the City for its costs and expenses incurred with its predevelopment activities (the "**Predevelopment Expenses Agreement**" and, together with the Predevelopment Process Agreement, the "**Predevelopment Agreements**"). The Predevelopment Expenses Agreement is attached hereto as Exhibit A.

Concurrently herewith, the Parties are entering into additional Project Agreements (defined below), which agreements will govern the ownership, financing, design, development, construction, occupancy, use, maintenance, and operation of the Arena.

As of the Effective Date, the City, as lead agency for the Arena Project, has certified the Final Environmental Impact Report related to the selection of the Arena Project as the preferred alternative and has approved the Arena Project.

The land within the Downtown Plaza on which the Arena will be constructed is referred to herein as the "**Arena Land**," as described in Exhibit B attached hereto.

In connection with the Arena Project, HoldCo (directly or through its Affiliates and transferees) desires to develop other portions of the Downtown Plaza and the City desires HoldCo to do so. It is anticipated that HoldCo (or its Affiliates or transferees) will, at its cost, develop a conceptual plan for the development of all other portions of the Downtown Plaza that it owns, and apply to the City for such entitlements as may be necessary to permit the development contemplated by the development plan. The development may include up to 475,000 square feet of office space, up to 350,000 square feet of retail and food and beverage space, a 250 room hotel, and up to 550 multi-family dwelling units.

As contemplated by the Term Sheet and the Predevelopment Agreements, the Parties desire to enter into this Agreement to memorialize certain of their rights and obligations regarding (i) the Arena Project, (ii) the development of the North Natomas Land (defined below), and (iii) certain other matters.

With these background facts in mind, the Parties agree as follows:

1. Project Agreements

1.1 Project Agreements. Concurrently with the Parties' execution of this Agreement, the Parties are entering into the following additional Arena Project agreements (collectively with this Agreement and the Predevelopment Agreements, the "**Project Agreements**"):

- (A) Arena Design and Construction Agreement between the City and ArenaCo, attached hereto as Exhibit C (which agreement amends, retitles and supersedes the Predevelopment Process Agreement), pursuant to which (i) ArenaCo will continue to design, and is agreeing to construct for the City, the Arena Project and (ii) the Predevelopment Expenses Agreement is retitled and amended (the "**Design and Construction Agreement**");
- (B) Arena Management, Operations, and Lease Agreement, between the City and ArenaCo, attached hereto as Exhibit D, pursuant to which (i) the City is granting to ArenaCo a license to use the portions of the Arena Land that the City owns or controls, prior to Substantial Completion, for the purpose of performing and engaging in the Work (as defined in the Design and Construction Agreement) and certain pre-opening activities

and (ii) upon Substantial Completion, the City is agreeing to lease the Arena and Arena Land to ArenaCo and ArenaCo is agreeing to operate, maintain, and repair the Arena (the "**Arena Agreement**");

- (C) Team Use Agreement, between ArenaCo and TeamCo, attached hereto as Exhibit E, pursuant to which ArenaCo is agreeing to operate, maintain, and repair the Arena for, and license the Arena to, TeamCo (the "**Team Agreement**");
- (D) Arena Finance and Funding Agreement, between the City and ArenaCo, attached hereto as Exhibit F, pursuant to which the City and ArenaCo are agreeing to (i) fund their respective shares of the costs to design, develop, and construct the Arena and (ii) enter into an escrow agreement with a third party escrow agent, which escrow agreement will govern how such funds will be deposited into, and disbursed from, escrow accounts maintained by such escrow agent (the "**Funding Agreement**");
- (E) Team Non-Relocation Agreement, between the City and TeamCo, attached hereto as Exhibit G, pursuant to which TeamCo is agreeing, subject to the terms thereof, to use the Arena as the exclusive venue for the Team's home games and not relocate the Team (the "**Non-Relocation Agreement**");
- (F) Arena Parking Management Agreement, between the City and ArenaCo, attached hereto as Exhibit H, pursuant to which ArenaCo is agreeing to operate, maintain, and repair the Parking Facilities (the "**Parking Management Agreement**");
- (G) Agreement for Interim Parking Operations Management, between the City and ArenaCo, attached hereto as Exhibit I, pursuant to which ArenaCo is engaging the services of the City on an interim basis to operate and manage the Parking Facilities; and
- (H) Property Conveyance Agreement and Joint Escrow Instructions, between the City, SG Downtown LLC ("**SG**"), SBH Real Estate Group LLC ("**SBH REG**"), SBH Natomas LLC, ("**SBH Natomas**"), and SBH Downtown LLC ("**SBH Downtown**"; SBH Natomas and SBH Downtown collectively, the "**SREG Subs**"), attached hereto as Exhibit J, pursuant to which the City is agreeing to transfer, as part of the City's contribution to the Arena Project, certain City-owned parcels of land that are not located on the Arena Land to the SREG Subs, and SG is agreeing to transfer a portion of the Arena Land to the City (the "**Property Conveyance Agreement**").

1.2 Refinancing the 1997 Bonds. Before the Team relocates to the Arena, the City shall refinance the outstanding Sacramento City Financing Authority 1997 Lease Revenue Bonds (Arco Arena Acquisition) (the "1997 Bonds") by issuing replacement bonds either through a lease-financing structure that uses the JPA or a similar entity as issuer or through a revenue-bond financing structure that uses the City or the JPA or similar entity as issuer. A Kings Party or an Affiliate ("Kings Borrower") will borrow the proceeds of the replacement bonds from the City (the "Kings Borrower Loan") under a loan agreement or similar agreement (the "Loan Agreement"), which proceeds will be used exclusively for the purposes specified in Section 1.2(B)(2). The Kings Borrower will not be HoldCo, TeamCo, or Arena Co unless otherwise approved by the NBA and, in the case of ArenaCo, Leasehold Mortgagee. Nothing in this Section 1.2 will be deemed to require the City to restructure its existing debt so as to accommodate the issuance of replacement bonds.

(A) *Conditions Precedent to Refinancing.* The replacement bonds will be issued only if all of the following conditions precedent have been satisfied:

- (1) If a lease-financing structure is used for the replacement bonds, then the City and the issuer have available for lease, in connection with the replacement bonds, real property for which (a) the annual fair-rental value is equal to, or greater than, the annual debt service on the replacement bonds plus the annual debt service on any other bonds supported by rental relating to the property and (b) the fair-market value is at least equal to, but not greater than, 150% of the principal amount of the replacement bonds plus the outstanding principal amount on any other bonds supported by rental relating to the property.
- (2) The Kings Borrower has identified annual cash flows that the City Treasurer determines, in his reasonable good-faith judgment, to be adequate for paying the annual debt service on the Kings Borrower Loan, which debt service will equal the annual debt service on the replacement bonds until the replacement bonds are retired. Under the Loan Agreement, the Kings Borrower will pledge the cash flows to payment of debt service on the Kings Borrower Loan.
- (3) The Kings Borrower and City shall attempt in good faith to identify security or collateral, acceptable to both of them, that will secure payment of debt service on the Kings Borrower Loan. If the City and the Kings Borrower cannot agree upon such security or collateral, including the liquidated value thereof, then an

independent investment-banking firm that specializes in municipal finance, jointly selected by the City and the Kings Borrower, will determine what, if any, security or collateral is needed to secure payment of debt service on the Kings Borrower Loan, as well as the liquidated value thereof. Under the Loan Agreement or appropriate security document, the Kings Borrower will pledge such collateral to secure payment of debt service on the Kings Borrower Loan.

- (4) The Kings Borrower, the annual cash flows pledged under subclause (2) above, the security pledged under subclause (3) above, and all other terms and conditions related to the issuance of the replacement bonds are sufficient for such replacement bonds to be underwritten and successfully marketed.

(B) *Financing Terms.* The issuance of the replacement bonds will be subject to all of the following terms:

- (1) Any Kings Party or an Affiliate may pay down the outstanding balance of the 1997 Bonds using any source of funds, thereby reducing the principal amount of the replacement bonds to be issued and the Kings Borrower Loan.
- (2) The replacement bonds must be in an amount sufficient to pay (a) all principal, interest, and other amounts (including amounts needed to pay any interest-rate-swap termination payments, penalties, and costs) necessary to retire the outstanding 1997 Bonds and (b) to fund costs of issuance and a reserve fund for the replacement bonds.
- (3) If a lease-financing structure is used for the replacement bonds, then the City will be entitled to lease the Arena and the Arena Land, in whole or part, to and from the JPA as part of the refinancing if the criteria set forth in Section 1.2(A)(1) are satisfied. If the Arena and the Arena Land are so leased, then the City Financing Documents (as defined in the Arena Agreement) will be amended to accommodate the terms and conditions of the replacement bonds (subject to the requirements of Sections 1.1(E) and 1.1(F) of the Arena Agreement). The Parties acknowledge and agree that any amendments to the City Financing Documents to accommodate the terms and conditions of the replacement bonds, without more (*e.g.*, without amending or adding provisions that restrict the rights of ArenaCo and Team to use, or increase the obligations of ArenaCo or TeamCo with

respect to use of, the Arena under the Project Agreements), will be deemed not to adversely affect the rights or obligations of ArenaCo under this Agreement, TeamCo under the Team Agreement, or ArenaCo or TeamCo under any other Project Agreement.

- (4) If a lease-financing structure is used for the replacement bonds, then the replacement bonds must be on terms and conditions generally comparable to the terms and conditions of the outstanding 1997 Bonds other than the terms and conditions respecting interest rates and Team non-relocation obligations.
- (5) The Kings Borrower must provide reasonable-and-customary further assurances in connection with the replacement-bonds financing. These further assurances include reasonable and customary certificates and opinions concerning the due authorization, execution, and enforceability of the replacement-bond-financing agreements to which the Kings Borrower is a party; and certificates concerning the accuracy of information about the Kings Borrower needed to market the replacement bonds. In addition, the Kings Borrower must respond to reasonable inquiries from the underwriter for, or purchasers of, the replacement bonds.

- (C) *No Alteration of Obligations.* The obligations of the Parties under this Section 1.2 do not alter any obligations concerning the 1997 Bonds under any of the documents related to the 1997 Bonds, including the Arena Owner's Relocation Assurance Agreement and the Team Owner's Relocation Assurance Agreement, both dated July 1, 1997. Specifically, but without limiting the immediately preceding sentence, the obligations of the Parties under this Section 1.2 do not alter the following covenants and obligations in the Arena Owner's Relocation Assurance Agreement and the Team Owner's Relocation Assurance Agreement: the covenants not to relocate the Team if the "City Obligation" has not been "Satisfied"; and the obligations to pay the "Put Option Price" or "Satisfy" the "City Obligation" when and as required.

2. Step-In Agreement

- 2.1** *Generally.* If the Arena Agreement (including, for the purposes of this Section 2, any New Agreement) is terminated by reason of the City exercising its right to terminate pursuant to Section 11.2(C) thereof, a rejection in ArenaCo's bankruptcy, or option of ArenaCo to treat the Arena Agreement as terminated under 11 U.S.C. § 365(h)(1)(A)(i), or any comparable provision of Applicable Law,

and no New Agreement is entered into pursuant to Section 16.8 thereof, the City shall, within ten Business Days after the expiration of the Leasehold Mortgagees' rights to enter into a New Agreement, provide written notice thereof to TeamCo. No later than 30 days after TeamCo's receipt of such notice, TeamCo or an Affiliate and the City shall enter into (and if they fail to do so, shall be deemed to have entered into) a new lease of the Arena with the City effective as of (or retroactively to) the date of the termination of the Arena Agreement, for the remainder of the term of the Arena Agreement, as if no termination had occurred, on the same terms and provisions of the Arena Agreement, including the Purchase Option (as defined in the Arena Agreement) and all other rights, options, privileges, and obligations of the Parties under the Arena Agreement, but excluding any requirements that have already been performed or no longer apply (the "Step-In Agreement"). At the time of execution and delivery of the Step-In Agreement, TeamCo shall (i) pay the City any and all Annual Fees (as defined in the Arena Agreement) and other sums then due under the Arena Agreement (determined as if the Arena Agreement had not been terminated), and (ii) cure any nonmonetary defaults under the Arena Agreement (determined as if the Arena Agreement had not been terminated) or, if such nonmonetary default is of a nature that it cannot with due diligence be cured upon such execution and delivery, then TeamCo shall promptly and duly commence the cure of such default and thereafter diligently prosecute to completion the remedy of such default, which completion must be achieved within a reasonable time under the circumstances, subject to Force Majeure Events. In no event, however, shall TeamCo be required to cure any Personal Defaults (as defined in the Arena Agreement) of ArenaCo. From the date the Arena Agreement terminates until the date of execution and delivery of the Step-In Agreement (the "Step-In Agreement Delivery Date"), the City (or its designated agent) may, at its option, perform the day-to-day operations, maintenance, and repair of the Arena and the Arena Land; provided, however, the City shall not operate the Arena or the Arena Land in an unreasonable manner or lease any of the Arena or the Arena Land except to TeamCo.

2.2 Specific Provisions. The following additional provisions shall apply to the Step-In Agreement:

- (A) The Step-In Agreement (or, at the City's option, a memorandum thereof) shall be in recordable form. The Step-In Agreement shall not be subject to any rights, liens, or interests other than permitted exceptions and other exceptions to title existing as of the date of the Step-In Agreement which were not created by the City. The Step-In Agreement shall be expressly made subject to any rights of ArenaCo prior to the termination of the Arena Agreement.

- (B) On the Step-In Agreement Delivery Date, if during the period from the termination date of the Arena Agreement to the Step-In Agreement Delivery Date the revenue derived from the Arena and actually received by the City (excluding from income the amount of any Annual Fee payable under the Arena Agreement and actually received by the City) exceeds the expenses actually incurred by the City in connection with the Arena, then, on the Step-In Agreement Delivery Date, the City shall pay to TeamCo the amount of such excess. Alternatively, if during such period the City's expenses exceed the City's revenues, then, on the Step-In Agreement Delivery Date, TeamCo shall pay to the City the amount of such excess. In either event, TeamCo shall, on the Step-In Agreement Delivery Date, pay to the City all sums required to be paid to the City pursuant to the Arena Agreement.
- (C) On the Step-In Agreement Delivery Date, the City shall assign to TeamCo all of the City's right, title, and interest in and to all moneys (including security deposits, insurance proceeds, and condemnation awards), if any, then held by, or payable to, the City that ArenaCo would have been entitled to receive but for termination of the Arena Agreement. On the Step-In Agreement Delivery Date, the City shall also transfer to TeamCo all subleases, service contracts, and net income collected by the City in connection with the operation of the Arena during the period between termination of the Arena Agreement and the Step-In Agreement Delivery Date.
- (D) Between the date of the termination of the Arena Agreement and the Step-In Agreement Delivery Date, the City shall not take any affirmative action to cancel any sublease or accept any cancellation, termination, or surrender of a sublease except due to such subtenant's default (it being understood that the City shall not be obligated to take any action to keep any subleases in effect). Any sublease which was terminated upon the termination of the Arena Agreement as a matter of law, shall, at TeamCo's option, be reinstated upon execution of the Step-In Agreement.
- (E) In no event shall the City assume, or be deemed to have assumed, any obligations of ArenaCo under the Team Agreement.

2.3 No Merger. The City, ArenaCo, and TeamCo agree that ArenaCo's early use license and leasehold estate created by the Arena Agreement and TeamCo's license rights created by the Team Agreement shall not merge but shall remain separate and distinct, notwithstanding the union of said estates in TeamCo in the event that TeamCo enters into the Step-In Agreement and as a result thereof also becomes the licensor under the Team Agreement.

3. North Natomas Land and Entitlements

3.1 North Natomas Land. Pursuant to the Property Conveyance Agreement, and subject to the terms and conditions contained therein, the City is agreeing to transfer to SBH Natomas the "Natomas Land" (as such term is defined in the Parcel Conveyance Agreement). Kings Arena Limited Partnership, a California limited partnership and an Affiliate of the Kings Parties, is the lessee of, and is contractually required to purchase, upon relocation of the Team to the Arena, the parcel of land described in Exhibit K attached hereto (the "Natomas Kings Parcel"). Collectively, the Natomas Land and the Natomas Kings Parcel are referred to as the "North Natomas Land."

3.2 Removal of Flood Plain Moratorium. As soon as reasonably practical after the Effective Date, subject to and in accordance with all Applicable Laws, the City shall work in good faith with the appropriate public agencies to remove the flood plain moratorium that currently affects the North Natomas Land; provided, however, that the City shall have no obligation to incur any out-of-pocket, third party costs in connection with this Section 3.2 unless reimbursed by a Kings Party.

3.3 North Natomas Development Plan and Entitlements.

(A) *HoldCo Plan Preparation.* HoldCo (directly or through its Affiliates or transferees) shall, as soon as reasonably practicable and consistent with market conditions after the Effective Date and at HoldCo's (or its Affiliates' or transferees', as applicable) cost, (i) create a conceptual plan for the development of the North Natomas Land (the "**North Natomas Development Plan**") and (ii) apply to the City for all entitlements necessary to implement the North Natomas Development Plan, including any (a) General Plan amendments, (b) Community Plan amendments, (c) rezonings, (d) master parcel maps, and (e) infrastructure financing plans (together with any other entitlements necessary to implement the North Natomas Development Plan, as it may be modified from time to time, the "**North Natomas Entitlements**").

(B) *City Review.* The City shall, subject to and in accordance with all Applicable Laws, expedite the review and approval of the North Natomas Entitlements.

3.4 North Natomas Development Costs.

(A) *HoldCo Responsibilities.* Except as set forth in Section 3.4(B), HoldCo, through its Affiliate SBH Natomas, shall be responsible for the payment of any outstanding unpaid fees, penalties, or other liabilities on the North

Natomas Land (expressly including the Natomas Land) as of the Effective Date and all costs incurred in connection with planning, entitling, and developing the North Natomas Land, including all costs incurred in connection with (i) demolishing Sleep Train Arena, (ii) demolishing the baseball stadium foundation, (iii) removing reciprocal easements and other title exceptions, and (iv) preparing any environmental impact report needed under Applicable Law (the "**Natomas EIR**"), including all pre-planning, engineering, sitework construction, CEQA consultants, litigation, community outreach, mitigation, and any other costs required by the Natomas EIR, and marketing costs and commissions.

- (B) *City Responsibilities.* Notwithstanding the foregoing, the City shall (i) be responsible and pay all internal costs it incurs to perform its obligations under Sections 3.2 and 3.3 and (ii) to the extent permitted by Applicable Law, indemnify HoldCo for any losses and costs incurred by HoldCo or its Affiliates in connection with the violation of any environmental laws resulting from any condition on the Natomas Land that exists on the date that the City conveys the Natomas Land to SBH Natomas, except to the extent that any such violation is attributable to (a) activities that occurred on the Natomas Kings Parcel, (b) any concrete or asphalt located on the Natomas Land related to parking at the Sleep Train Arena, and (c) activities related to the Kings Parties' (or their Affiliates', agents', invitees', or users') use of the existing parking lot located on the North Natomas Land.

4. Additional Covenants of Kings Parties. During the term of the Arena Agreement:

4.1 *Agreements with Affiliates.* Any agreements relating to the Arena Project that are between any Kings Party, on the one hand, and any other Kings Party or any Affiliate of any Kings Party, on the other hand, shall (A) to the extent such agreements are related to the development, operation, or maintenance of the Arena, be subject to such other applicable conditions and obligations as may be set forth in the Project Agreements and (B) be provided or made available to the City, at a location within the City of Sacramento, to view within 30 days of the City making a request for copies thereof.

4.2 *Sleep Train Arena: Non-Compete.* Following Final Completion of the Arena (as such term is defined in the Design and Construction Agreement), none of the Kings Parties (other than TeamCo in accordance with the Team Agreement) shall, directly or indirectly, develop, finance, facilitate, or otherwise participate or offer to participate in any management, operations, or activities at the Sleep Train Arena in competition with the Arena, including holding or otherwise facilitating the holding of any sporting, entertainment, or other community events contemplated in the Arena Agreement or the Team Agreement. The Parties

agree that these restrictions are necessary to allow the Arena Project to be economically viable for the Parties and that, without these restrictions, the Parties would not be able to accomplish the goal of completing the Arena Project for the benefit of the public.

4.3 Non-discrimination. The Kings Parties shall comply with all Applicable Laws related to non-discrimination requirements, including those set forth in the Sacramento City Code.

5. Targeted Taxes

5.1 No Targeted Taxes. Except as provided in Section 5.2, and until the expiration or other termination of the Arena Agreement, the City shall not impose, and shall reasonably cooperate with any efforts of the Kings Parties to prevent any other Governmental Authority from imposing, any new general or special, ordinary or extraordinary, tax, imposition, assessment, levy, usage fee, excise, or similar new charge (including any ad valorem or other property taxes), however measured, regardless of the manner of imposition or beneficiary (each, a "Tax"), on or against the activities described in this Section 5.1.

- (A) The activities conducted at the Arena or the related parking facilities (including the Parking Facilities) by the Kings Parties or any of their invitees or patrons, or any income, revenues, profits, or other consideration generated therefrom, including amusement or special district Taxes.
- (B) The gross receipts or incomes of performers, players, coaches, the Kings Parties or direct or indirect owners of the Kings Parties who use or otherwise participate in activities at the Arena.
- (C) The sale of admissions tickets or other admissions charges for, or the number of admissions to or any license for the right to view, any events at the Arena.
- (D) Any capital gain on or appreciation in the investment in the Kings Parties.
- (E) The sale of any asset or ownership interest in the Team or any of the Kings Parties.

5.2 Exceptions.

- (A) The restrictions described in Section 5.1 do not apply to the following:
 - (1) Taxes in effect as of the Effective Date;

- (2) Any Tax imposed by the Downtown Sacramento Partnership, Property Based Improvement District;
 - (3) The Capital Fund Ticket Fee or the Annual Fee (as such terms are defined in the Arena Agreement) or any other fees, payments, charges, or reserves required under the Arena Agreement; or
 - (4) Any Tax of general applicability.
- (B) The restrictions described in Section 5.1 do not apply to the extent they restrict the City's police power.

6. Assignment

6.1 *Assignment.* Subject to Section 6.2, no Party shall make or enter into an Assignment of this Agreement without the prior written consent of the other Parties, not to be unreasonably withheld, conditioned, or delayed. With respect to any given Kings Party, an Assignment of this Agreement includes any change in the control of such Kings Party, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of such Kings Party through the ownership or control of voting securities. In connection with any Assignment of this Agreement by a Kings Party, whether or not the City's consent is required therefor (but excluding Assignments made pursuant to Section 6.2(C)), ArenaCo shall provide the City with (A) written notice of any such Assignment, together with a copy of the agreement purporting to assign the rights and obligations, and such delivery shall be at least 15 days prior to such Assignment, except with respect to (i) pledges or collateral assignments in connection with the financing of the Arena Project and (ii) Assignments to Affiliates or with respect to a sale of all or part of the North Natomas Land, in which case such delivery shall be at least ten days prior to such Assignment and (B) all information reasonably requested by the City that relates to the ability of the assignee to satisfy the obligations of such Kings Party under this Agreement and, if such Assignment satisfies one of the conditions set forth in Section 6.2, all information reasonably requested by the City to confirm that such condition has been satisfied. If an Assignment of this Agreement is made pursuant to Section 6.2(C), then ArenaCo need only provide the City with prior or contemporaneous written notice of such Assignment and reasonable evidence that an acquisition or change in control of the Team has occurred.

6.2 *Permitted Assignments.* Subject to Section 6.3, the following Assignments shall be permitted without the consent of any Party:

- (A) A Party may make an Assignment of this Agreement to any Affiliate of such Party;

- (B) A Kings Party may pledge, mortgage, grant a security interest in, encumber, or collaterally assign its interest in this Agreement or the equity interests in such Kings Party to secure indebtedness for borrowed money of such Kings Party; and
- (C) A Kings Party may make an Assignment of this Agreement to any Person (or an Affiliate thereof) that acquires, or obtains control of, the Team with the approval of the NBA.

6.3 Other Project Agreements. Notwithstanding anything to the contrary in this Agreement, in connection with and as a condition to any Assignment of this Agreement by a Party (except for changes in the control of a Kings Party), the assignee must concurrently acquire all of the assignor's rights, and expressly assume, in writing, in form and substance reasonably acceptable to the other Parties, all of the assignor's obligations under this Agreement and all other Project Agreements to which the assignor is a party. Notwithstanding the foregoing, if ArenaCo makes an Assignment of this Agreement, ArenaCo will not be required to make a corresponding Assignment of its rights or obligations under the Arena Parking Management Agreement.

6.4 Contrary Assignments Void. Any Assignment of this Agreement made contrary to this Section 6 is void.

7. Term

7.1 Term. The term of this Agreement commences on the Effective Date and expires upon the expiration of the Team Agreement, unless terminated earlier as expressly provided for in this Agreement.

7.2 Early Termination. If any of the following events occur, then, subject to the rights of lenders set forth under each Project Agreement, any Party may terminate this Agreement and each of the other Project Agreements by delivering written notice of such terminations to all of the other Parties, with such terminations to be effective as of the date of such notice (provided that if such notice is given by the City during, or within 30 days prior to the commencement of, a Basketball Season, the effective date of such termination shall be within ten Business Days after the end of such Basketball Season):

- (A) Final Completion (as defined in the Design and Construction Agreement) is prohibited due to a final judgment (taking into account all appeals) of a court of competent jurisdiction or due to Applicable Law;
- (B) The Design and Construction Agreement is terminated pursuant to Section 32.2(C) thereof;

- (C) The Arena Agreement (or, as applicable, any New Agreement or the Step-In Agreement) is terminated pursuant to Sections 9.1, 9.3, 11.2(C), or 11.4 thereof and no New Agreement or Step-In Agreement is entered into;
- (D) The Team Agreement is terminated pursuant to Sections 17.3, 20.2.3, or 20.4.3 thereof;
- (E) The Funding Agreement is terminated pursuant to Sections 3.4, 14.2, or 14.4 thereof;
- (F) The Non-Relocation Agreement is terminated pursuant to Section 4(E) thereof; or
- (G) The Property Conveyance Agreement is terminated pursuant to Sections 6 or 7 thereof.

7.3 Post-Termination.

- (A) *Triggering Termination.* A "**Triggering Termination**" means any termination of this Agreement and each of the other Project Agreements (including the Arena Agreement) in accordance with Section 7.2, which termination (i) occurs (x) after the ArenaCo Loan Availability Date (as defined in the Funding Agreement) or (y) prior to the ArenaCo Loan Availability Date if the ArenaCo Loan Availability Date has not occurred solely because the conditions set forth in Section 3.3(B) of the Funding Agreement have not been satisfied, (ii) prior to Substantial Completion, and (iii) resulted from (x) ArenaCo's exercise of any express right to so terminate (whether in this Agreement or another Project Agreement) due to the City's breach of its obligations under this Agreement or other Project Agreement, as applicable), (y) ArenaCo's exercise of its right to so terminate pursuant to Section 3.4(A), (C), or (D) of the Funding Agreement or Section 7(b) of the Property Conveyance Agreement, or (z) Section 7.2(A) of this Agreement if Final Completion would not be so prohibited due to a final judgment or Applicable Law if the Funding Agreement and the Arena Agreement were not effective (*i.e.*, if the City were not involved in the Arena Project to the extent set forth therein).
- (B) *Replacement Arena Agreement.* In the event of a Triggering Termination, ArenaCo shall have the option, exercisable in its sole discretion, to give written notice to the City that ArenaCo will cause Substantial Completion of, and use, operate, and manage, the Arena on the Arena Land pursuant to a Replacement Arena Agreement (the "**Replacement Arena Notice**"), which Replacement Arena Notice must be provided within six months

after the effective date of such termination of this Agreement and the other Project Agreements (including the Arena Agreement). If ArenaCo provides the Replacement Arena Notice on a timely basis in connection with a Triggering Termination, then the City and ArenaCo shall promptly thereafter at the election of ArenaCo either reinstate, amend, and restate the Arena Agreement or enter into a new management, operations, and lease agreement (in either case, the "**Replacement Arena Agreement**"), pursuant to which the City will grant to ArenaCo an early use license with respect to the Arena Land similar to the Early Use License set forth in the Arena Agreement and, upon Substantial Completion, lease the Arena and the Arena Land to ArenaCo on the following terms and conditions: (i) annual rent or use fee for the Arena Land and the Arena shall be \$1.00, (ii) the term shall be for 35 years, (iii) the City shall not be required to pay any costs or expenses or provide any services whatsoever in connection with the Arena or the Arena Land after the effective date of the Replacement Arena Agreement (other than providing Municipal Services on terms similar to those set forth in the Arena Agreement and using commercially reasonable efforts to expedite the process by which ArenaCo obtains and maintains licenses and permits for the Arena that are to be obtained from the City), (iv) ArenaCo shall be solely responsible for paying, throughout the term of the Replacement Arena Agreement, all costs (including capital costs, but without any requirement to maintain a segregated capital fund) necessary to design, construct, manage, maintain, and operate the Arena after the effective date of the Replacement Arena Agreement, including all costs of maintenance, repairs, replacements, renovation, remodeling, removal, alterations, improvements, insurance, and Taxes, (v) ArenaCo shall have the exclusive right (subject to subclause (vi) below), in its sole and absolute discretion but in accordance with Applicable Law, NBA Rules, and Basketball Operating Standards (as defined in the Team Agreement), to operate and manage (and to allocate, use, and distribute, all revenues with respect to) the Arena on a 24 hour per day, year round basis, (vi) the City will have the right to utilize the Arena for up to nine City Civic Events (as defined in the Arena Agreement) each year on and subject to the terms and conditions set forth in Section 1.2 of the Arena Agreement; provided, however, that in any given year the City will have the right to schedule only one City Civic Event more than 90 days in advance, (vii) ArenaCo will provide the City with the option, prior to each Basketball Season, to enter into a license agreement for the use during such Basketball Season of one full-sized private luxury suite (including any related lounge areas) in the Arena (the location of which will be determined by ArenaCo, in its sole discretion, provided, that, unless otherwise mutually agreed to by the City and ArenaCo, such suite will be located on either side of the Arena

between the NBA foul lines) on the same terms and conditions as the annual licenses that ArenaCo grants (whether directly or indirectly through TeamCo) to the majority of third parties for other similarly situated suites, (viii) ArenaCo will be granted an option to purchase the Arena Land and the Arena, free and clear of any liens or encumbrances (other than those put in place by ArenaCo), for \$1.00 at the end of the term of the Replacement Arena Agreement, (ix) the Replacement Arena Agreement will contain Leasehold Mortgagee protection provisions similar to those set forth in the Arena Agreement, and (x) the Replacement Arena Agreement will contain restrictions on targeted Taxes similar to those set forth in Section 5. Contemporaneously with the execution and delivery of the Replacement Arena Agreement, the City and ArenaCo shall, at the election of ArenaCo, either reinstate, amend, and restate the Parking Management Agreement or enter into a new parking management agreement on the same terms and conditions of the original Parking Management Agreement.

(C) *Effect of Termination.* Upon termination of this Agreement and each of the other Project Agreements in accordance with Section 7.2, subject to Sections 7.3(A) and 7.3(B), no Party shall have any further rights or obligations under this Agreement or any other Project Agreement, except for those rights and obligations that expressly survive the termination of this Agreement or expressly survive the termination of the Project Agreement under which they arise (*e.g.*, Section 10(b) of the Property Conveyance Agreement, if applicable, regarding the rights of the SREG Subs to receive the RASA Parcel Replacement Property (as defined therein), Section 18 of the Property Conveyance Agreement, if applicable, regarding SG's Unwind Right (as defined therein); Section 25 of the Property Conveyance Agreement, if applicable, regarding the rights of SBH REG regarding the ROFR Parcel (as defined therein); and Section 2.3(C) of the Funding Agreement, if applicable, regarding ArenaCo not being required to pay back the City loan referred to in such section. For the avoidance of doubt, if this Agreement and the other Project Agreements are terminated after the City Parcels Closing (as defined in the Property Conveyance Agreement), then the City shall retain ownership of the ESC Land and the SREG Subs shall retain ownership of the City Parcels (as defined in the Property Conveyance Agreement).

(D) *Survival.* This Section 7.3 shall survive termination of this Agreement.

7.4 Effectiveness. Notwithstanding anything in this Agreement to the contrary, the effectiveness of this Agreement is conditioned upon the NBA's approval of the Team Agreement and the Arena Agreement, which approval is required for the

effectiveness of both such agreements pursuant to the terms thereof. The Kings Parties shall promptly deliver to the City a copy of the letter from the NBA confirming such approval upon the Kings Parties' receipt thereof.

8. Tax Treatment of Project Agreements

8.1 Tax Treatment. Holdco and its Affiliates intend to report the transactions listed below for all income tax purposes as follows:

- (A) Holdco, as the sole member of ArenaCo, which is disregarded for federal tax purposes, shall be treated as the owner of the Arena and the Arena Land;
- (B) The City Contribution (as defined in the Funding Agreement) shall be treated as a loan by the City to Holdco;
- (C) The conveyance of the City Parcels by the City to the SREG Subs (which are wholly-owned by Holdco and disregarded for federal income tax purposes) pursuant to the terms of the Property Conveyance Agreement shall be treated as a sale by the City of the City Parcels to Holdco for a total purchase price of \$32,049,480 paid in the form of an installment obligation issued by Holdco to the City, which installment obligation shall be treated as payable by Holdco to the City in accordance with Section 8.1(D);
- (D) The payments of the Annual Fee (as such term is defined in the Arena Agreement) by ArenaCo to the City pursuant to the terms of the Arena Agreement shall be treated, as determined by ArenaCo in its reasonable discretion, as payments by Holdco of principal and accrued interest on the amounts outstanding on the deemed loans described in Section 8.1(B) and the deemed installment obligation described in Section 8.1(C); provided that a portion of such Annual Fee payments shall be allocable to the payment obligations described in Sections 8.1(E)-(F);
- (E) The Parking Management Agreement shall be deemed to create a periodic arm's-length lease payment obligation from Holdco (or its Affiliate) to the City during the term of the Parking Management Agreement, and portions of the Annual Fees, as determined by ArenaCo in its reasonable discretion, shall be deemed to consist of such lease payments; and
- (F) The Master Lease for Digital Billboards between the City and ArenaCo shall be deemed to create a periodic arm's-length lease payment obligation from Holdco (or its Affiliate) to the City during the term of the

Master Lease for Digital Billboards, and portions of the Annual Fees, as determined by ArenaCo in its reasonable discretion, shall be deemed to consist of such lease payments.

8.2 Acknowledgment by the City. The City acknowledges and agrees that, unless otherwise required by Applicable Law, it shall not take any income tax position that is inconsistent with the intended treatment by Holdco and its Affiliates described in Section 8.1; provided, however, that the City is not providing any assurance that such positions and intended treatment by Holdco and its Affiliates will be honored or respected by any taxing or other authority.

9. Default and Remedies

9.1 Kings Event of Default. Unless otherwise expressly agreed by the City in writing, it shall be a "Kings Event of Default" under this Agreement if any Kings Party materially breaches or fails to comply with any material provision of this Agreement applicable to such Kings Party and such breach or noncompliance continues for a period of 60 days after written notice thereof by the City to all the Kings Parties; or, if such breach or noncompliance cannot reasonably be cured within such 60-day period, such Kings Party does not commence to cure such breach or noncompliance within such 60-day period or, after commencing to cure such breach or noncompliance, does not thereafter pursue such cure in good faith to completion.

9.2 City's Remedies. If any Kings Event of Default occurs, the City shall have the right, at the City's election to exercise any one or more of the remedies described below. Exercise of any of such remedies shall not prevent the concurrent or subsequent exercise of any other remedy provided for in this Agreement or otherwise available to the City at law or in equity, except as otherwise expressly stated in this Agreement.

(A) The City may, at the City's option but without obligation to do so, and without releasing any Kings Party from any obligations under this Agreement, make any payment or take any action as the City deems necessary or desirable to cure any Kings Event of Default in such manner and to such extent as the City in good faith deems necessary or desirable. The defaulting Kings Party shall pay the City, upon demand, all reasonable advances, costs, and expenses of the City in connection with making any such payment or taking any such action, including reasonable attorneys' fees, together with interest on all such amounts at the Default Rate from the date of payment of any such advances, costs, and expenses by the City.

- (B) The City may sue the Kings Parties for and obtain damages, specific performance, other equitable relief, or any combination of the foregoing.
- (C) Notwithstanding anything to the contrary contained herein, the City shall not have the right to terminate this Agreement on account of a Kings Event of Default.

9.3 City Event of Default. Unless otherwise expressly agreed by the Kings Parties in writing, it shall be a "City Event of Default" under this Agreement if the City materially breaches or fails to comply with any material provision of this Agreement applicable to the City, and such breach or noncompliance continues for a period of 60 days after written notice thereof by the Kings Parties to the City; or, if such breach or noncompliance cannot reasonably be cured within such 60-day period, the City does not commence to cure such breach or noncompliance within such 60-day period or, after commencing to cure such breach or noncompliance, does not thereafter pursue such cure in good faith to completion.

9.4 Kings Parties' Remedies. If any City Event of Default occurs, the Kings Parties shall have the right, at their election to exercise any one or more of the remedies described below. Exercise of any of such remedies shall not prevent the concurrent or subsequent exercise of any other remedy provided for in this Agreement or otherwise available to the Kings Parties at law or in equity, except as otherwise expressly stated in this Agreement.

- (A) The Kings Parties may, at their option but without obligation to do so, and without releasing the City from any obligations under this Agreement, make any payment or take any action as the Kings Parties deem necessary or desirable to cure any City Event of Default in such manner and to such extent as the Kings Parties in good faith deem necessary or desirable. The City shall pay the Kings Parties, upon demand, all reasonable advances, costs, and expenses of the Kings Parties in connection with making any such payment or taking any such action, including reasonable attorneys' fees, together with interest on all such amounts at the Default Rate from the date of payment of any such advances, costs, and expenses by the Kings Parties.
- (B) The Kings Parties may sue the City for and obtain damages, specific performance, other equitable relief, or any combination of the foregoing.
- (C) If a Kings Party prevails on any suit brought under Section 9.4(B), obtains a judgment for damages, and the City fails to pay such damages within ten days after such judgment (including all applicable appeals thereto) becomes final, then such Kings Party may, or may assign to any other

Kings Party the right to, off-set the amount of such unpaid judgment against any amounts owed by such Kings Party to the City under this Agreement or any other Project Agreements.

- (D) Notwithstanding anything to the contrary contained herein, no Kings Party shall have the right to terminate this Agreement on account of a City Event of Default.

9.5 Waiver. The Parties hereby waive any and all rights to consequential, punitive, or exemplary damages for a Kings Event of Default or a City Event of Default, as the case may be.

10. Mediation

10.1 Process. Any dispute between the Parties relating to this Agreement shall be resolved in accordance with this section.

10.2 Direct Communication. As soon as reasonably possible after a dispute is identified, each Party shall set forth its position in the dispute in written correspondence delivered to the other Parties. Within 15 days after delivery, representatives of each Party involved shall meet at a mutually agreed time and place to attempt, with diligence and in good faith, to resolve and settle the dispute.

10.3 Non-binding Mediation.

- (A) *Resort to Mediation.* If the dispute is not resolved through direct communication as provided in Section 10.2 by the date that is ten days after the initial meeting, any Party to such dispute may request appointment of a neutral and properly credentialed mediator with expert knowledge and practical experience regarding the subject in dispute.
- (B) *Choice of Mediators.* The requesting Party shall provide a list of three possible mediators to the non-requesting Party. The non-requesting Party shall then select the mediator to be used to mediate the dispute from that list.
- (C) *Length of Mediation.* The Parties shall then participate in good faith in a one-day, non-binding mediation session. Notwithstanding the foregoing, the Parties may agree in writing to extend the mediation proceedings.
- (D) *Location.* Any mediation proceedings shall take place in the City, unless otherwise mutually agreed by the Parties.

(E) *Cost Sharing.* The cost of the mediation shall be divided equally between the Parties to the dispute.

10.4 Mediation Failure. If the Parties do not resolve the dispute after engaging in this mediation process, each Party shall be entitled to bring an appropriate action or proceeding in any court of competent jurisdiction to vindicate its rights under this Agreement.

11. Miscellaneous

11.1 Additional Agreements. In addition to the Project Agreements, the Parties agree to cooperate in good faith to negotiate, execute, and deliver any additional documents reasonably required by any Party, from time to time, to effectuate the purposes and intent of this Agreement and the other Project Agreements, including any amendments to the Plaza Operations Agreements (as defined in the Design and Construction Agreement) necessary or appropriate to accommodate the Arena Project.

11.2 Notices. Any notice or other communication under this Agreement must be in writing and will be considered properly given and effective only when mailed or delivered in the manner provided by this section to the persons identified below. A notice or other communication that is mailed will be effective or will be considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner will be effective or will be considered properly given when actually delivered.

<p>If to the City:</p> <p>John Dangberg Assistant City Manager City of Sacramento 915 I Street, Fifth Floor Sacramento, CA 95814</p> <p>With copies to:</p> <p>Matthew Ruyak Assistant City Attorney City of Sacramento 915 I Street, Fourth Floor Sacramento, CA 95814</p>	<p>If to HoldCo, TeamCo, or ArenaCo:</p> <p>John Rinehart, CFO Sacramento Basketball Holdings LLC One Sports Parkway Sacramento, CA 95834 Facsimile: (916) 928-6983</p> <p>With copies to:</p> <p>Mark Friedman, Owner 1530 J Street, Suite 200 Sacramento, CA 95814</p> <p>Jeffrey Dorso, Esq. Pioneer Law Group, LLP</p>
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Jeffrey Massey Senior Deputy City Attorney City of Sacramento 915 I Street, Fourth Floor Sacramento, CA 95814	1122 S Street Sacramento, CA 95811 Facsimile: (916) 496-8500 Adam R. Klein, Esq. Katten Muchin Rosenman LLP 525 W. Monroe Street Chicago, IL 60661-3693 Facsimile: (312) 902-1061
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Any Party may from time to time designate a different address or facsimile number or persons for notices by giving notice to that effect to the other Parties in accordance with the terms and conditions of this section.

- 11.3 *City's Purpose of Inspections and Review.*** The City's review of any designs, plans, specifications, or other documents or inspection of any property or improvements in connection with this Agreement are performed solely for its own purposes and benefit, and the City is not liable to any of the Kings Parties or any third party for defects in such documents or any other improvements related thereto, or the operations and maintenance standards to be applied thereto. The City agrees to reasonably cooperate with the Kings Parties in connection with obtaining any additional permits, approvals, and municipal review necessary for timely complying with the obligations set forth herein.
- 11.4 *Force Majeure.*** Failure in performance by any Party under this Agreement due to a Force Majeure Event shall not be deemed a breach of this Agreement. In addition, when this Agreement provides a time for the performance of any obligation, the time provided is extended if compliance is not possible due to a Force Majeure Event. The extension time shall be equal to one day for each day the Force Majeure Event prevents compliance. "Force Majeure Event" means any act, event, or condition that is beyond the reasonable control of the Party asserting the Force Majeure Event, if it prevents or delays such Party from performing any obligation under this Agreement including the following: any act of public enemy, terrorism, blockade, war, insurrection, civil disturbance, explosion, or riot; epidemic; landslide, earthquake, fire, storm, flood, or washout, or other catastrophic weather event; any other act of God; and strike, lockout, or other industrial disturbance.
- 11.5 *Severability.*** If a court with jurisdiction rules that any nonmaterial part of this Agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this Agreement remains valid and fully enforceable.

- 11.6 *Obligations of the Parties.*** The obligations and undertakings of the Parties under or in accordance with this Agreement are obligations solely of the Parties themselves and no recourse shall be had, whether in contract, in tort, or otherwise against any officer, director, employee, agent, member, volunteer, or representative of any Party in his or her individual capacity on account of any obligation or undertaking of or any act or omission by any Party under or pursuant to this Agreement.
- 11.7 *Time of the Essence.*** Time is of the essence in the performance of this Agreement.
- 11.8 *Binding Effect.*** This Agreement binds and inures to the benefit of the Parties' successors and permitted assigns.
- 11.9 *Waiver.*** A Party's failure to insist on strict performance of this Agreement or to exercise any right or remedy upon breach of this Agreement will not constitute a waiver of the performance, right, or remedy. A Party's waiver of another Party's breach of any provision in this Agreement will not constitute a continuing waiver or a waiver of any subsequent breach of the same or any other provision. A waiver is binding only if set forth in a writing signed by the waiving Party.
- 11.10 *Interpretation.*** This Agreement is to be interpreted and applied in accordance with California law, except that that the rule of interpretation in California Civil Code section 1654 will not apply. The term "including" shall mean "including, without limitation" and "including, but not limited to" and shall not be interpreted to imply any limitation on the more general preceding provision unless otherwise expressly stated. All references in this Agreement to Sections or Exhibits refer to the Sections and Exhibits of this Agreement unless otherwise expressly stated. Each Exhibit referenced in this Agreement is incorporated herein by reference and made a part hereof. The headings and captions of the Sections and Exhibits are included for convenience only and shall have no effect upon the construction or interpretation of this Agreement.
- 11.11 *Integration and Modification.*** This Agreement, the other Project Agreements, and any other documents executed by the City and one or more Kings Parties in connection herewith, collectively set forth the Parties' entire understanding regarding the matters set forth above and are intended to be their final, complete, and exclusive expression of those matters. Without limiting the generality of the foregoing, this Agreement, the other Project Agreements, and any other documents executed by the City and one or more Kings Parties in connection herewith, collectively supersede the Term Sheet in its entirety. This Agreement may be modified only by another written agreement signed by all Parties.

11.12 *Conflicts among Project Agreements.* If any conflict or inconsistency between or among any of the Project Agreements is identified by a Party, then, as soon as reasonably possible after such conflict or inconsistency is identified, each Party shall set forth their positions regarding such conflict or inconsistency in written correspondence delivered to the other Parties. If, based on the Parties' respective positions, a dispute exists with respect to such conflict or inconsistency then within 15 days after delivery of the Parties' written correspondence representatives of each Party shall meet at a mutually agreed time and place to attempt, with diligence and in good faith, to resolve and settle the dispute. If the dispute is not resolved through direct communication as provided above, then any Party may request mediation as provided in Section 10. If the Parties do not resolve the dispute after engaging in such mediation process, each Party shall be entitled to bring an appropriate action or proceeding in any court of competent jurisdiction to resolve the conflict or inconsistency. To provide guidance to the Parties (and, if necessary, the courts) in resolving any conflict or inconsistency, the Parties hereby agree that a specific provision in any given Project Agreement governs the circumstance(s) to which it is directed over a more general provision to the contrary (whether in the same or another Project Agreement).

11.13 *Relationship of the Parties.* The Parties do not intend to create any agency, partnership, joint venture, trust, or other relationship with duties or incidents different from those of parties to an arm's-length contract.

11.14 *No Third-Party Beneficiaries.* Except as set forth in this Section 11.14, this Agreement is solely for the benefit of the Parties and their permitted successors and assigns. Nothing in this Agreement, express or implied, is intended to (A) confer upon any Person other than the Parties and their permitted successors and assigns any rights or remedies under or by reason of this Agreement as a third party beneficiary or otherwise except as specifically provided in this Agreement or (B) authorize anyone not a Party to this Agreement to maintain an action pursuant to or based on this Agreement. Notwithstanding the foregoing, (i) all Affiliates of the Kings Parties and (ii) the holder of any Leasehold Mortgage or Mezzanine Financing (as such terms are defined in the Arena Agreement) are each intended direct third party beneficiaries of this Agreement with the right of direct enforcement of the provisions set forth herein. The Parties agree that the provisions of Section 16 of the Arena Agreement (authorizing Leasehold Mortgages and Mezzanine Financings and granting certain rights and protections to Leasehold Mortgagees and Mezzanine Lenders (as such terms are defined in the Arena Agreement)) are hereby incorporated by reference. Each Leasehold Mortgagee shall be entitled to all of the rights and protections set forth in the Arena Agreement with respect to this Agreement, including specifically Section

16.7 (notice and cure rights), as if such provisions were included in this Agreement.

11.15 Representations. Each Party hereby represents and warrants to the other that it has all necessary right, power, and authority to enter into this Agreement. Additionally, each Party represents and warrants that the execution and delivery of this Agreement and the performance and observance of all obligations and conditions to be performed or observed by each Party hereunder have been duly authorized by all necessary action of such Party. This Agreement, when fully executed and delivered by each Party, shall constitute the legal, valid, and binding obligation of the Parties, enforceable in accordance with the terms hereof.

11.16 Patriot Act Certification. Each of the Kings Parties certifies that neither it, nor any of its constituent partners, managers, members, or shareholders, nor any beneficial owner of such Kings Party or any such partner, manager, member, shareholder, or Affiliate of such Kings Party is a "Prohibited Person," defined as (A) a person, entity, or nation named as a terrorist, "Specially Designated National or Blocked Person," or other banned or blocked person pursuant to any law, order, rule, or regulation that is enforced or administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56, the "Patriot Act"), (B) a person, entity, or nation owned or controlled by, or acting on behalf of, any person, entity, or nation named as a terrorist, "Specially Designated National or Blocked Person," or other banned or blocked person pursuant to any law, order, rule, or regulation that is enforced or administered by OFAC, including the Executive Order and the Patriot Act, (C) a person, entity, or nation engaged directly or indirectly in any activity prohibited by any law, order, rule, or regulation that is enforced or administered by OFAC, including the Executive Order and the Patriot Act, (D) a person, entity, or nation with whom the City is prohibited from dealing or otherwise engaging in any transaction pursuant to any terrorism or money laundering law, including the Executive Order and the Patriot Act, (E) a person, entity, or nation that has been convicted, pleaded nolo contendere, indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, or (F) a person, entity, or nation who is affiliated with any person, entity, or nation who is described above in clauses (A) through (E) above. The Kings Parties agree to indemnify and save the City harmless against and from any and all claims, damages, losses, risks, liabilities, and expenses, including reasonable attorneys' fees and costs, arising from or related to any breach of the foregoing

certification. The foregoing certifications and indemnities shall not apply to the holders of interests in publicly traded entities.

11.17 Attorneys' Fees. Each Party shall bear its own costs and attorneys' fees incurred in connection with the negotiation and execution of this Agreement.

11.18 Alternative Delivery. When a Party is obligated to deliver a document or similar item to another Party, the recipient may, in its sole discretion, opt for a review of that item without taking physical or electronic delivery thereof.

11.19 Counterparts. The Parties may sign this Agreement in counterparts, each of which will be considered an original, but all of which will constitute the same Agreement. Facsimile signatures or signatures transmitted by email or other electronic means shall be effective to bind each of the Parties hereto.

11.20 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any proceedings regarding this Agreement, the Parties agree that the venue shall be the state courts of California located in Sacramento County or the U.S. District Court for the Eastern District of California.

11.21 Disclosure of Records. All non-public documents shared by the Parties hereunder shall be treated as confidential to the extent permitted by Applicable Law. All documents submitted to the City may be subject to disclosure pursuant to the California Public Records Act. If the City receives a request for disclosure under the California Public Records Act or is served with a legal or administrative demand for disclosure (e.g., by subpoena, civil investigative demand, or court-ordered or court-sanctioned discovery) of any document set apart and clearly marked "trade secret" or "confidential" when provided by a Kings Party to the City, then the City shall notify such Kings Party as soon as practicable before disclosure is required so that such Kings Party may seek an appropriate protective order or may consent in writing to disclosure. Absent a protective order or written consent to disclosure, received before the time disclosure is required, the City may disclose the documents as required by law. The City is not obligated to defend against any litigation brought to compel disclosure of documents, but the City may defend against the litigation as the real party in interest, subject to the following: the Kings Parties shall indemnify and hold the City harmless against all damages and costs awarded against the City in the litigation, including reasonable attorneys' fees and litigation costs through final resolution on appeal. The Kings Parties shall have sole responsibility for defense of the actual "trade secret" or "confidential" designations.

11.22 NBA Rules. The Kings Parties covenant to make available to the City for the City's inspection on a "read only" basis (but with the ability to take notes), at

TeamCo's offices in the City of Sacramento, true, complete, and accurate copies of all NBA Rules (including any amendments or modifications thereto) that are relevant to the rights and obligations of the City under this Agreement or any of the other Project Agreements. Notwithstanding the foregoing, to the extent any NBA Rule (consistently applied and without discrimination in application to TeamCo, the Team, or the City) requires the City to inspect portions of the NBA Rules at a specific location other than TeamCo's offices in the City of Sacramento, then the City shall only have the right to inspect the same at such other location.

12. Definitions and Terms. Capitalized terms in this Agreement have the definitions set forth in this section.

"**1997 Bonds**" is defined in Section 1.2.

"**Affiliate**" means, with respect to any Kings Party, any individual, trust, estate, partnership, joint venture, company, corporation, association, limited liability company, or other legal entity, business organization, or enterprise that is directly or indirectly controlling, controlled by, or under common control with, such Kings Party.

"**Agreement**" is defined in the introductory paragraph of this Agreement.

"**Applicable Laws**" means any law, statute, ordinance, rule, regulation, order, or determination of any Governmental Authority.

"**Arena**" is defined in the Background.

"**Arena Agreement**" is defined in Section 1.1(B).

"**ArenaCo**" is defined in the introductory paragraph of this Agreement.

"**Arena Land**" is defined in the Background.

"**Arena Project**" is defined in the Background.

"**Assignment**" means any sale, transfer, assignment, pledge, mortgage, encumbrance, or any other transfer, including transfers as security for obligations, of this Agreement or a Party's rights or obligations under this Agreement.

"**Basketball Season**" is defined in the Team Agreement.

"**Business Day**" means any day that the Sacramento City Attorney's Office is open. California Code of Civil Procedure Section 12a applies to this Agreement. The use of the word "day," instead of "Business Day," means a calendar day.

"**City**" is defined in the introductory paragraph of this Agreement.

"**City Event of Default**" is defined in Section 9.3.

"**Default Rate**" means an annual interest rate equal to the Interest Rate plus five percent (5%).

"**Design and Construction Agreement**" is defined in Section 1.1(A).

"**Downtown Plaza**" is defined in the Background.

"**Effective Date**" is defined in the introductory paragraph of this Agreement.

"**Force Majeure Event**" is defined in Section 11.4.

"**Funding Agreement**" is defined in Section 1.1(D).

"**Governmental Authority**" means any federal, state, or local entity, political subdivision, agency, department, commission, board, bureau, administrative, or regulatory body, or other instrumentality having jurisdiction over the Parties, the Arena Land, the Arena Project, or any other properties or rights that are the subject of the Project Agreements.

"**HoldCo**" is defined in the introductory paragraph of this Agreement.

"**Interest Rate**" means the annual "prime" lending rate of interest published from time to time by the Wall Street Journal or its successor plus two percent (2%). If at any time the Wall Street Journal or its successor no longer announces a "prime" lending rate, then the Interest Rate shall be the annual interest rate that is announced by a national bank reasonably selected by the Parties and having an office in Sacramento, California as such national bank's "prime" lending rate, plus two percent (2%). The Interest Rate shall change and be adjusted upon each announcement by the Wall Street Journal or its successor (or any substitute national bank selected by the Parties pursuant to this definition) of each change in the "prime rate" used to determine the Interest Rate in the manner described in this definition. All interest to be paid pursuant to this Agreement shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each.

"**JPA**" means the Sacramento Public Financing Authority, a California joint-powers authority.

"**Kings Borrower**" is defined in Section 1.2.

"**Kings Borrower Loan**" is defined in Section 1.2.

"**Kings Event of Default**" is defined in Section 9.1.

"**Kings Party**" and "**Kings Parties**" are defined in the introductory paragraph of this Agreement.

"**Leasehold Mortgagee**" is defined in the Arena Agreement.

"**Loan Agreement**" is defined in Section 1.2.

"**Natomas EIR**" is defined in Section 3.4(A).

"**Natomas Kings Parcel**" is defined in Section 3.1.

"**Natomas Land**" is defined in the Parcel Conveyance Agreement.

"**NBA**" means the National Basketball Association.

"**NBA Rules**" is defined in the Team Agreement.

"**New Agreement**" is defined in the Arena Agreement.

"**Non-Relocation Agreement**" is defined in Section 1.1(E).

"**North Natomas Development Plan**" is defined in Section 3.3(A).

"**North Natomas Entitlements**" is defined in Section 3.3(A).

"**North Natomas Land**" is defined in Section 3.1.

"**Parking Facilities**" is defined in the Parking Management Agreement.

"**Parking Management Agreement**" is defined in Section 1.1(F).

"**Party**" and "**Parties**" are defined in the introductory paragraph of this Agreement.

"**Predevelopment Agreements**" is defined in the Background.

"**Predevelopment Expenses Agreement**" is defined in the Background.

"**Predevelopment Process Agreement**" is defined in the Background.

"**Project Agreements**" is defined in Section 1.1.

"**Property Conveyance Agreement**" is defined in Section 1.1(H).

"**Replacement Arena Agreement**" is defined in Section 7.3(B).

"**Replacement Arena Notice**" is defined in Section 7.3(B).

"**SBH Downtown**" is defined in Section 1.1(H).

"**SBH Natomas**" is defined in Section 1.1(H).

"**SBH REG**" is defined in Section 1.1(H).

"**SG**" is defined in Section 1.1(H).

"**SREG Subs**" is defined in Section 1.1(H).

"**Step-In Agreement**" is defined in Section 2.

"**Step-In Agreement Delivery Date**" is defined in Section 2.

"**Substantial Completion**" is defined in the Design and Construction Agreement.

"**Tax**" is defined in Section 5.1.

"**Team**" is defined in the Background.

"**Team Agreement**" is defined in Section 1.1(C).

"**TeamCo**" is defined in the introductory paragraph of this Agreement.

"**Term Sheet**" is defined in the Background.

"**Triggering Termination**" is defined in Section 7.3(A).

* * *

<p>City of Sacramento</p> <p>By: _____ John F. Shirey City Manager</p> <p>Date: _____, 2014</p>	<p>Sacramento Basketball Holdings LLC, a Delaware limited liability company</p> <p>By: _____ Name: _____ Its: _____</p> <p>Date: _____, 2014</p>
<p>SACRAMENTO DOWNTOWN ARENA LLC, a Delaware limited liability company</p> <p>By: Sacramento Basketball Holdings LLC, a Delaware limited liability company, its Sole Member</p> <p>By: _____ Name: _____ Its: _____</p> <p>Date: _____, 2014</p>	<p>SACRAMENTO KINGS LIMITED PARTNERSHIP, a California limited partnership</p> <p>By: Royal Kings Limited Partnership, a California limited partnership, its General Partner</p> <p>By: Sacramento Basketball Holdings GP LLC, a Delaware limited liability company, its General Partner</p> <p>By: Sacramento Basketball Holdings LLC, a Delaware limited liability company, its Sole Member</p> <p>By: _____ Name: _____ Its: _____</p> <p>Date: _____, 2014</p>
<p>Approved as to Form Sacramento City Attorney</p> <p>By: _____ Matthew D. Ruyak Assistant City Attorney</p>	<p>Approved as to Legal Form Pioneer Law Group, LLP</p> <p>By: _____ Jeffrey K. Dorso Attorneys for Kings Parties</p>

Exhibit A
to
Comprehensive Project Agreement
Predevelopment Expenses Agreement
(see attached)

SACRAMENTO ESC PREDEVELOPMENT EXPENSES REIMBURSEMENT AGREEMENT

This agreement, dated September 24, 2013 for identification purposes, is between the City of Sacramento ("City") and Sacramento Basketball Holdings, LLC, a Delaware Limited Liability Company ("SBH"). City and SBH are also referred to as the "Parties."

Background

The City Council approved a non-binding Term Sheet dated March 23, 2013, setting forth the City's and SBH's desire to develop a proposed Entertainment and Sports Center ("ESC") on certain real property located in the City of Sacramento, California. The City proposes a capital contribution of \$258 million to the ESC project. To protect its interests, represent the interests of Sacramento's citizens and taxpayers, and promote the successful completion of the proposed ESC, the City must contract with third parties for various professional, non-professional, and technical services.

The Term Sheet provides that SBH is responsible for ESC predevelopment expenses. The Parties intend by this agreement to set forth SBH's payment obligations for all expenses incurred by the City for ESC predevelopment activities, such as planning, design, development, and entitlement of the ESC.

Concurrently with this agreement, the Parties are executing a Predevelopment Process Agreement, which covers performance of predevelopment activities and cooperation of the Parties during predevelopment.

The Parties acknowledge this agreement does not commit the City to approve the ESC project. Any potential decision ultimately to approve the ESC project is a legislative decision to be made by and at the sole and exclusive discretion of the City Council in compliance with all statutory prerequisites under California law, including the California Environmental Quality Act. By entering into this agreement, the City does not limit, delegate, or assign any of its discretion to proceed with, or not proceed with, the ESC project.

With these background facts in mind, the City and SBH agree as follows:

1. Predevelopment Expenses Reimbursement

1.1. *Predevelopment Expenses.* "Predevelopment Expenses" means all expenses related to the planning, design, review, and entitlements to enable the

development, construction, and operation of the ESC incurred by City in its sole but reasonable discretion.

- (A) *Examples.* Reimbursable Predevelopment Expenses include those for:
- (1) Start-up expenses (e.g., environmental impact report and any related environmental assessment).
 - (2) Professional services (e.g., design and engineering services; architecture and related services; models and renderings; code analysis; information technology consultant; telecommunications consultant; peer reviews; commissioning consultant; sustainability (LEED) consultant; cost consultant; ADA consultant; arena development consultant; sports industry consultant; insurance consultant; historic, archaeological and cultural resources consultant; acoustic consultant; food service consultant; security consultant; life safety consultant; site surveying (boundary and topographic); site and urban design planning; transit studies including intermodal transit integration; pedestrian, traffic, and parking surveys and studies; public art consultant; specification conformance review; environmental and toxic substances studies; reviews of other sports facilities; utility investigations and relocation design; testing and inspections; quality control review; geotechnical report/ground water analysis; seismic studies; miscellaneous expenses and taxes relating to professional services; non-basketball event consultant).
 - (3) Legal, governmental, and advisory services (e.g., transaction and administrative legal services except as excluded below; strategic planning and negotiation; definitive document preparation and production; insurance and risk management legal services; and construction-related legal services, document production; public outreach presentation production).
 - (4) Project administration (e.g., project management; arena development review and consultation).
 - (5) Construction preparation-related expenses (pre-construction fees).
 - (6) Community outreach, and public relations consultant.
 - (7) Extraordinary plan-check review and inspection costs, including third-party services.
 - (8) Engineering services for review of structural and other systems.
 - (9) Ensuring consistency between the ESC environmental impact report and the City's General Plan Update environmental impact report,

including any costs, including legal costs, for delay in issuing either as a result.

- (B) *Non-exclusive Listing.* The types of services listed in Section 1.1(A) are non-exclusive. Reimbursable Predevelopment Expenses also include other expenses consistent with this agreement that the City reasonably deems necessary for predevelopment.
- (C) *Excluded Expenses.* Notwithstanding anything to the contrary above, Predevelopment Expenses do not include:
- (1) salaries, benefits, or other costs for City employees, except as covered under subsection (A)(7), above;
 - (2) costs covered by the Parties' August 13, 2013 Property Acquisition Cost, Defense, and Indemnity Agreement;
 - (3) legal expenses solely related to the financing of the City's proposed capital contribution for the ESC;
 - (4) Fees, penalties, expenses, or other costs incurred by reason of City's failure to comply with this agreement and related agreements, or relevant laws, statutes, ordinances or other rules and regulations;
 - (5) Fees, penalties, expenses, or other costs incurred by reason of City's gross negligence or willful misconduct;
 - (6) Costs assumed by City pursuant to other binding agreements; or
 - (7) City's costs of clearing title to City-controlled property needed for the ESC.
- (D) *Cooperation.* SBH shall not be required to reimburse City for Predevelopment Expenses that the Parties have agreed are to be incurred directly and exclusively by SBH. The Parties shall meet regularly to discuss predevelopment work, and whenever possible, City shall notify and provide SBH an opportunity to confer with City prior to and during: (i) the hiring process of predevelopment consultants and staff, (ii) the consideration of cost estimates provided by such consultants, and (iii) the preparation of predevelopment expense budgets. In addition, City shall notify SBH in advance of any substantial or extraordinary Predevelopment Expenses, to the extent practicable under the circumstances.

1.2. Expenses Reimbursement. SBH shall reimburse the City for all Predevelopment Expenses incurred by the City.

1.3. Scope of Reimbursement Obligation.

(A) *Generally.* SBH agrees that its obligations are to be interpreted in a manner that ensures the City is fully reimbursed for all Predevelopment Expenses.

(B) *Time of City's Incurred Expenses.* Predevelopment Expenses include only those incurred by the City after March 23, 2013.

(C) *Success not Required.* SBH's reimbursement obligations are not contingent upon the ESC project's success or approval. SBH shall reimburse the City for all Predevelopment Expenses regardless of the City's approval (or disapproval) of the ESC project or the Parties' subsequent execution of definitive project agreements, or any other event.

(D) *Other Fees, Charges, Taxes, etc.* Except as otherwise specifically set forth herein, this agreement does not cover fees, taxes, special assessments, or any other charges otherwise applicable to a development like the ESC. Nothing in this agreement limits or excuses SBH's obligations to pay amounts that would be payable to the City in the absence of this agreement, provided that this agreement is not intended to require duplicative payments of such amounts.

1.4. Reimbursement Process.

(A) *Notification of Expenses.* By the 15th day of each month, the City shall deliver a written expense report to SBH containing:

- (1) the total amount of Predevelopment Expenses billed to the City in the previous month, provided the first monthly expense report shall include Predevelopment Expenses billed after March 23, 2013;
- (2) an itemization of the Predevelopment Expenses; and
- (3) Attached copies of all invoices submitted by third parties relating to the Predevelopment Expenses.

(B) *Reimbursement Time and Method.* Within 30 days of the City's delivery of a written expense report, SBH shall pay the City all Predevelopment Expenses from the previous month; provided that SBH shall have the right, at its option, to pay the sum set forth in the first such report in three monthly pro-rated payments, so long as the entire amount is paid within 90 days following receipt of such report. Payment shall be by electronic funds transfer to an account identified by the City or as otherwise agreed by the Parties.

(C) *Final Statement.* Following completion of predevelopment activity, City shall provide a full statement of all Predevelopment Expenses and payments made thereon. The parties shall review and reconcile such statement and SBH shall pay any underpayment (or be reimbursed for any overpayment) within 30 days following such agreed-upon reconciliation.

(D) *Disputed Expenses.* If SBH believes that a particular expense included in a monthly written expense report or final statement is not a properly reimbursable Predevelopment Expense, SBH shall notify the City in writing of its specific concerns within 30 days of delivery of the written expense report. The City may then exclude the disputed expense or may request a meeting with SBH to resolve the dispute. The Parties shall use good faith efforts to resolve the dispute informally. If SBH does not timely pay reimbursable Predevelopment Expenses, the City may, in addition to its other contractual remedies, suspend indefinitely all predevelopment activities associated with the ESC. In the event of a dispute, neither payment of disputed Predevelopment Expenses by SBH nor ongoing predevelopment activity by City shall be deemed to waive either party's right to continue to dispute or seek reimbursement for Predevelopment Expenses under the terms of this agreement.

2. Records. The City, consistent with its records retention policy, shall maintain complete copies of all monthly written expense reports and supporting documentation. SBH may inspect these records during business hours and upon reasonable notice. This right of inspection does not include records that are privileged or otherwise protected by law.

3. Indemnification and Hold Harmless. Except in the case of the City's sole negligence or willful misconduct, SBH agrees to fully and completely, without reservation or

limitation, defend, indemnify, and hold the City harmless, with counsel selected by the City, from any and all potential legal or monetary claims of any nature brought whatsoever by any third party against the City arising out of, or as a result of, SBH's actions arising out of this agreement, including its failure to comply with the terms of this agreement..

4. Waiver of Claims Against City. SBH acknowledges that it is responsible for all ESC Predevelopment Expenses and that the City agrees to cooperate and collaborate on predevelopment activities. SBH expressly waives any and all claims – excepting for fraud, malice, or oppression – against the City that SBH may have related to or arising out of the City's predevelopment activities, including but not limited to any and all claims SBH may have related to any contractors the City retains to perform predevelopment services.

5. Miscellaneous Provisions

5.1 Certain Terms.

- (A) "City" includes its agents, officers, consultants, contractors, and employees.
- (B) "SBH" includes its corporate affiliate(s), and their successors and assigns, and their agents, officers, consultants, contractors, and employees.
- (C) "ESC" means the entertainment and sports center proposed for Sacramento's Downtown Plaza, generally located between 5th and 7th Streets and J and L Streets. It includes the proposed building as well as the immediately surrounding area, including the related infrastructure.

5.2 Notices. Any notice or other communication under this agreement must be in writing and will be considered properly given and effective only when mailed or delivered in the manner provided by this section 5.2 to the persons identified below. A notice or other communication that is mailed will be effective or will be considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner will be effective or will be considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this section 5.2.

<p><i>If to the City:</i></p> <p>John Dangberg Assistant City Manager City of Sacramento 915 I Street, Fifth Floor Sacramento, California 95814</p> <p><i>With copies to:</i></p> <p>Matthew Ruyak Assistant City Attorney City of Sacramento 915 I Street, Fourth Floor Sacramento, California 95814</p>	<p><i>If to SBH:</i></p> <p>John Rinehart Sacramento Basketball Holdings, LLC One Sports Parkway Sacramento, CA 95834</p> <p><i>With copies to:</i></p> <p>Mark Friedman, Owner 1530 J Street, Suite 200 Sacramento, CA 95814</p> <p>Jeffrey K. Dorso, Esq. Pioneer Law Group, LLP 431 I Street, Suite 201 Sacramento, CA 95814</p>
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5.3 Assignments. A party may not assign or otherwise transfer this agreement or any interest in it without the other party's prior written consent, which the other party may withhold in its sole discretion. An assignment or other transfer made contrary to this section 5.3 is void.

5.4 Binding effect. This agreement binds and inures to the benefit of the Parties' successors and assigns.

5.5 Time of the Essence. Time is of the essence in the performance of this agreement.

5.6 Severability. If a court with jurisdiction rules that any nonmaterial part of this agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this agreement remains valid and fully enforceable.

5.7 Waiver. A party's failure to insist on strict performance of this agreement or to exercise any right or remedy upon breach of this agreement will not constitute a waiver of the performance, right, or remedy. A party's waiver of another party's breach of any provision in this agreement will not constitute a continuing waiver or a waiver of any subsequent breach of the same or any

other provision. A waiver is binding only if set forth in a writing signed by the waiving party.

5.8 Interpretation. This agreement is to be interpreted and applied in accordance with California law, except that that the rule of interpretation in California Civil Code section 1654 will not apply.

5.9 Attorneys' fees. The Parties shall bear their own costs and attorneys' fees incurred in connection with this agreement.

5.10 No Third-Party Beneficiaries. This agreement is solely for the benefit of the City and SBH. It is not intended to benefit any third parties.

5.11 Effective date. This agreement is effective on the date both Parties have signed it, as indicated by the dates in the signature blocks below.

5.12 Counterparts. The Parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.

5.13 Integration and modification. This agreement sets forth the Parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It may be modified only by another written agreement signed by both Parties.

5.14 Relationship of the Parties. The Parties do not intend to create any agency, partnership, joint venture, trust, or other relationship with duties or incidents different from those of parties to an arm's-length contract.

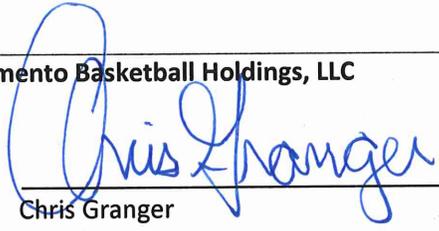
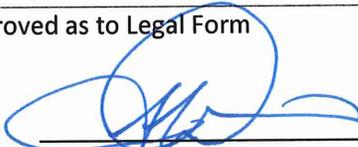
5.15 Survival of Indemnification, Defense, and Waiver. SBH's indemnification, defense, hold harmless, and waiver obligations survive completion of this agreement and termination of this agreement.

5.16 Representations. Each Party hereby represents and warrants to the other that it has all necessary right, power, and authority to enter into this Agreement. Additionally, each Party represents and warrants that the execution and delivery of this Agreement and the performance and observance of all obligations and conditions to be performed or observed by

each Party hereunder have been duly authorized by all necessary action of SBH and the City. This Agreement, when fully executed and delivered by the City and SBH, shall constitute the legal, valid, and binding obligation of the City and SBH, enforceable in accordance with the terms hereof.

5.17 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any proceedings regarding this Agreement, the Parties agree that the venue shall be the state courts of California located in Sacramento County or the U.S. District Court for the Eastern District of California.

5.18 No Effect on Term Sheet. This agreement does not affect the Term Sheet.

City of Sacramento By:  John Dangberg, Assistant City Manager For: John F. Shirey, City Manager October 10, 2013	Sacramento Basketball Holdings, LLC By:  Chris Granger President Date: <u>10/4/</u> , 2013
Approved as to Form Sacramento City Attorney By:  Matthew D. Ruyak Assistant City Attorney	Approved as to Legal Form By:  Jeffrey K. Dorso Attorneys for SBH

Attest: 
Wendy Klock-Johnson
Assistant City Clerk

Exhibit B
to
Comprehensive Project Agreement

Description of the Arena Land

(see attached)

Exhibit "A"

Legal Description for Sacramento Entertainment & Sports Center District

All that certain real property situate in the City of Sacramento, County of Sacramento and State of California described as follows:

Being all of Lots A-2, A-4, AC-1, AC-2, AC-3, AC-4, E-2, GS-3, H, M-2, P, R-1, R-2, S-3, T, U-4, U-5, V, Y-1, Y-2 and a portion of lots F, R, G, U-2 and U-3 of that certain Parcel Map filed for record on July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records, also being all of that certain real property described in the Quitclaim Deed to the City of Sacramento filed for recorded on December 26, 2013 at Book 20131226 Page 0696 Sacramento County Official Records, also being a portion of Parcel One as described in the deed to Downtown Plaza Sacramento, LLC recorded on August 14, 2012 at Book 20120814 Page 1600, Sacramento County Official Records and also being a portion of that certain parcel of land described in the deed to the Redevelopment Agency of the City of Sacramento recorded on October 31, 1979 in Book 791031, Page 1981, Sacramento County Official Records and being more particularly described as follows:

Beginning at the southwesterly corner of Parcel R-2, said point being the intersection of the easterly right of way line of 5th Street with the northerly right of way line of "L" Street as said parcels and streets are shown and delineated on that certain Parcel Map filed for record July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

Thence along the easterly line of 5th Street North 18°29'01" East a distance of 604.97 feet;

Thence leaving said easterly right of way line of 5th Street, South 11°30'54" East for a distance of 130.63 feet;

Thence South 71°33'00" East for a distance of 314.46 feet;

Thence South 26°30'00" East for a distance of 15.33 feet;

Thence South 71°33'00" East for a distance of 75.35 feet to the westerly line of Parcels 1 through 5 as said parcels are shown and delineated on that certain Parcel Map recorded July 29, 1981 in Book 65 of Parcel Maps at Page 41, Sacramento County Official Records;

Thence along said westerly line, South 18°27'50" West for a distance of 69.01 feet;

Thence leaving said westerly line South 71°32'10" East a distance of 26.32 feet;

Thence South $18^{\circ}27'50''$ West a distance of 31.58 feet to the intersection with the former centerline of the abandoned "K" Street as shown and delineated on that certain Parcel Map filed for record on March 21, 1980 in Book 56 of Parcel Maps at Page 15, Sacramento County Official Records;

Thence along said centerline of "K" Street, South $71^{\circ}31'05''$ East a distance of 165.10 feet to the westerly line of that certain parcel of land described in the deed to 630 K Street Partners LLC, a California Limited Liability Company recorded on June 20, 2013 in Book 20130620, Page 0626 Sacramento County Official Records;

Thence leaving said centerline and along said westerly line and along the arc of a non-tangent curve, concave to the northwest, whose radial bears South $73^{\circ}45'04''$ East, having a radius of 38.50 feet, through a central angle of $92^{\circ}13'59''$ for a distance of 61.98 feet;

Thence North $71^{\circ}31'05''$ West a distance of 1.20 feet;

Thence South $18^{\circ}29'35''$ West a distance of 170.33 feet to the southwest corner of said lands;

Thence leaving said westerly line and along the southerly line of Lands of 630 K Street Partners LLC South $71^{\circ}32'19''$ East a distance of 100.32 feet to the westerly right of way line of 7th Street;

Thence leaving said southerly line and along said westerly right of way line South $18^{\circ}28'23''$ West a distance of 30.00 feet to the northeasterly line of Lands of Jafar Nassar, River Valley Properties, Inc. William O. Noack and Yvonne P. Noack, Trustees of the Wyn Trust and Ratib and Shomisa Norzei as described in the deed recorded on May 6, 2013 in Book 20130506, Page 1501, Sacramento County Official Records;

Thence leaving said westerly right of way line and along said northerly line North $71^{\circ}32'19''$ West a distance of 80.26 feet to the northwesterly corner of said lands;

Thence leaving said northerly line and along the westerly line of said lands and the westerly line of the lands of the Marshall Hotel Investors LP, recorded on November 13, 2009 in Book 20091113, Page 1391 Sacramento County Official Records, South $18^{\circ}28'23''$ West a distance of 140.32 feet to the northerly right of way line of "L" Street;

Thence leaving said westerly lines and along said northerly right of way line North $71^{\circ}33'32''$ West a distance of 280.79 feet;

Thence continuing along said northerly right of way line North $71^{\circ}29'06''$ West a distance of 357.02 feet to the **Point of Beginning**;

EXCEPTING THEREFROM the following described portion of land;

Commencing at the southwesterly corner of Parcel R-2, said point being the intersection of the easterly right of way line of 5th Street with the northerly right of way line of L Street as said parcels and streets are shown on that certain Parcel Map filed for record July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

Thence along the easterly line of 5th Street North 18°29'01" East a distance of 222.81 feet to the **Point of Beginning**;

Thence leaving said line South 71°31'12" East a distance of 4.27 feet;

Thence North 18°28'48" East a distance of 135.67 feet;

Thence North 71°31'12" West a distance of 4.26 feet to the easterly right of way line of 5th Street;

Thence along said right of way line, South 18°29'01" West a distance of 135.67 feet to the **Point of Beginning**

The above described exception lies below an Elevation of 2.17 feet (0.00 feet as shown on Book 3 of Parcel Maps at Page 24) and above the inclined planes formed by the elevations of the top deck of the existing concrete parking structure as shown and delineated on that certain Parcel Map recorded in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

ALSO FURTHER EXCEPTING THEREFROM the following described parcel:

Beginning at the southwesterly corner of Parcel R-2, said point being the intersection of the easterly right of way line of 5th Street with the northerly right of way line of "L" Street as said parcels and streets are shown and delineated on that certain Parcel Map filed for record July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

Thence along the easterly line of 5th Street North 18°29'01" East a distance of 604.97 feet;

Thence leaving said easterly right of way line of 5th Street, South 11°30'54" East for a distance of 130.63 feet;

South 71°33'00" East a distance of 314.46 feet;

Thence South 26°30'00" East a distance of 18.86 feet;

Thence North 71°33'00" West a distance of 152.56 feet;

Thence along the arc of a tangent curve, concave to the southeast, having a radius of 190.00 feet, through a central angle of 89°57'01" for a distance of 298.29 feet;

Thence South 18°29'59" West a distance of 93.94 feet;

Thence along the arc of a tangent curve, concave to the northeast, having a radius of 190.00 feet, through a central angle of 29°23'19" for a distance of 97.46 feet;

Thence South 18°30'54" West for a distance of 101.50 feet to the northerly right of way line of "L" Street;

Thence along the northerly right of way line of "L" Street, North 71°29'06" West a distance of 75.00 feet to the **Point of Beginning**.

The lower vertical limit of the above described exception is Elevation 36.0 and has no upper vertical limit.

ALSO FURTHER EXCEPTING THEREFROM the following described parcel:

Commencing at the southwesterly corner of Parcel R-2, said point being the intersection of the easterly right of way line of 5th Street with the northerly right of way line of "L" Street as said parcels and streets are shown and delineated on that certain Parcel Map filed for record July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

Thence along the easterly line of 5th Street North 18°29'01" East a distance of 604.97 feet;

Thence leaving said easterly right of way line of 5th Street, South 11°30'54" East for a distance of 130.63 feet;

Thence South 71°33'00" East for a distance of 314.46 feet;

Thence South 26°30'00" East for a distance of 15.33 feet;

Thence South 71°33'00" East for a distance of 75.35 feet to the westerly line of Parcels 1 through 5 as said parcels are shown and delineated on that certain Parcel Map recorded July 29, 1981 in Book 65 of Parcel Maps at Page 41, Sacramento County Official Records;

Thence along said westerly line, South 18°27'50" West for a distance of 69.01 feet;

Thence South 71°32'10" East for a distance of 26.32 feet;

Thence South 18°27'50" West a distance of 31.58 feet to the intersection with the former centerline of the abandoned "K" Street as shown and delineated on that

certain Parcel Map filed for record on March 21, 1980 in Book 56 of Parcel Maps at Page 15, Sacramento County Official Records and the **Point of Beginning**;

Thence along said centerline of "K" Street, South 71°31'05" East a distance of 165.10 feet to the westerly line of that certain parcel of land described in the deed to 630 K Street Partners LLC, a Limited Liability Company recorded on June 20, 2013 in Book 20130620, Page 0626 Sacramento County Official Records;

Thence leaving said centerline and along said westerly line and along the arc of a non-tangent curve, concave to the northwest, whose radial bears South 73°45'04" East, having a radius of 38.50 feet, through a central angle of 92°13'59" for a distance of 61.98 feet;

Thence leaving said westerly line North 71°31'05" West a distance of 87.89 feet;

Thence North 26°30'00" West a distance of 56.55 feet to the centerline of the former "K" Street;

Thence along said centerline South 71°31'05" East for a distance of 1.23 feet to the **Point of Beginning**;

The above described exception area has a lower vertical limit of elevation 36.0 feet and has no vertical upper limit.

ALSO FURTHER EXCEPTING THEREFROM the following described parcel:

Commencing at the southwesterly corner of Parcel R-2, said point being the intersection of the easterly right of way line of 5th Street with the northerly right of way line of "L" Street as said parcels and streets are shown and delineated on that certain Parcel Map filed for record July 29, 1970 in Book 3 of Parcel Maps at Page 24, Sacramento County Official Records;

Thence along the easterly line of 5th Street North 18°29'01" East a distance of 604.97 feet;

Thence leaving said easterly right of way line of 5th Street, South 11°30'54" East for a distance of 130.63 feet;

Thence South 71°33'00" East for a distance of 314.46 feet;

Thence South 26°30'00" East for a distance of 15.33 feet to the **Point of Beginning**.

Thence South 71°33'00" East for a distance of 75.35 feet to the westerly line of Parcels 1 through 5 as said parcels are shown and delineated on that certain Parcel Map recorded July 29, 1981 in Book 65 of Parcel Maps at Page 41, Sacramento County Official Records;

Thence along said westerly line, South 18°27'50" West for a distance of 69.01 feet;

Thence South 71°32'10" East for a distance of 26.32 feet;

Thence South 18°27'50" West a distance of 31.58 feet to the intersection with the former centerline of the abandoned "K" Street as shown and delineated on that certain Parcel Map filed for record on March 21, 1980 in Book 56 of Parcel Maps at Page 15, Sacramento County Official Records;

Thence along said centerline North 71°31'05" West for a distance of 1.23 feet;

Thence North 26°30'00" West for a distance of 142.13 feet to the **Point of Beginning.**

The above described exception area has a lower vertical limit of elevation 36.0 feet and has no vertical upper limit.

ELEVATION NOTE:

Elevations shown herein are based on the National Geodetic Control Monument JS1113, being a brass disk set in the top of a granite step located at the southwest entrance to the federal building located at the northeast corner of the intersection of 8th Street and "I" Street in the City of Sacramento, California and has a published elevation of 31.55 feet based on the North American Vertical Datum of 1988.

The elevations shown herein are 2.17 feet higher than the elevations referenced on 3 PM 24, 56 PM 15 and 65 PM 41, Official Records Sacramento County. Elevation 0.00 on 3 PM 24 is Elevation 2.17 herein.

The above described parcel is shown on Exhibit "B" attached hereto and made a part hereof.



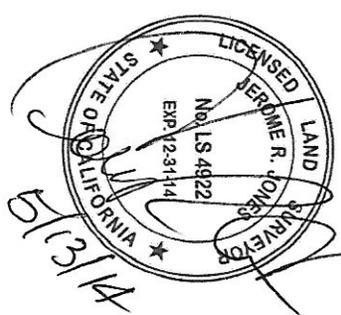
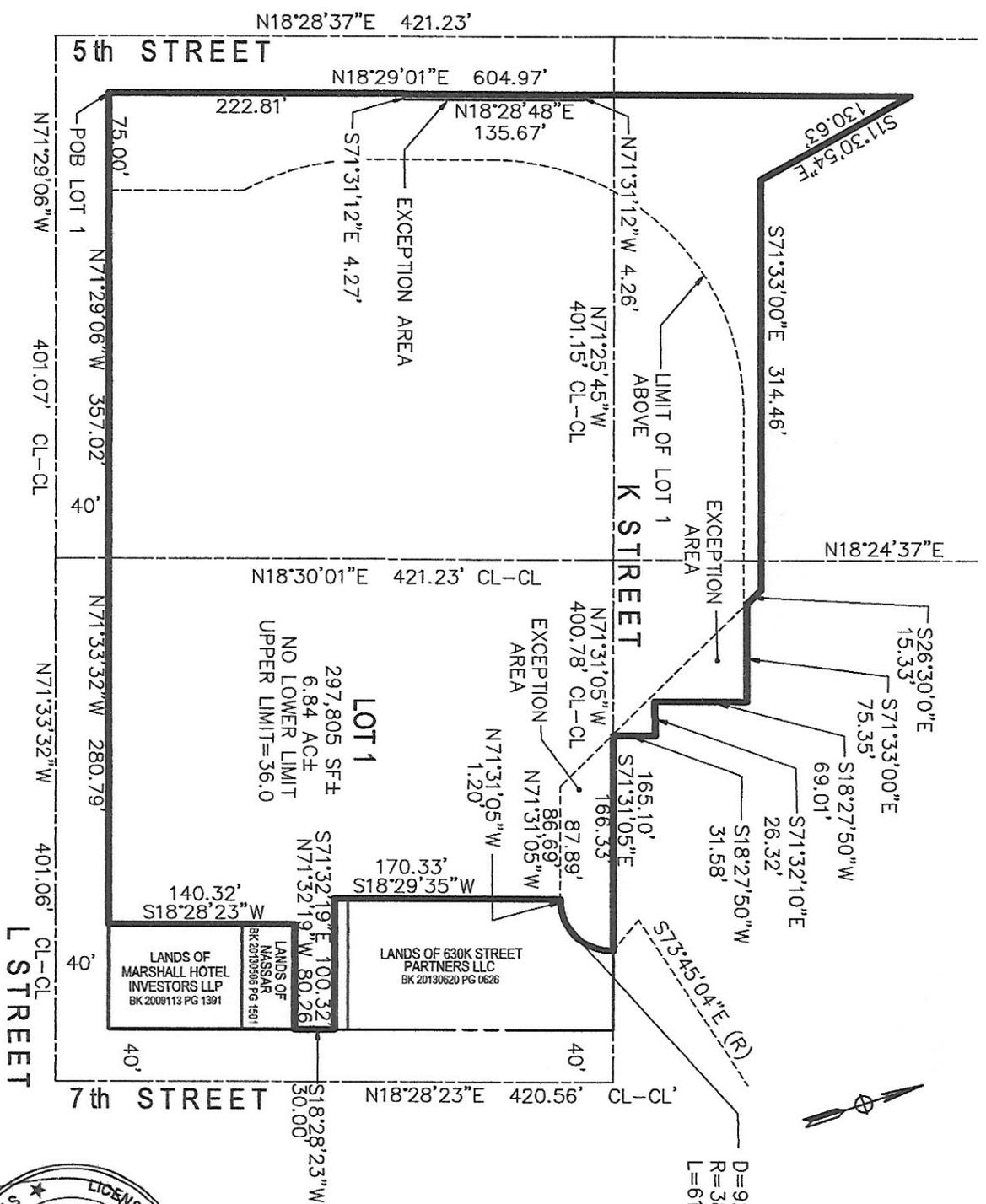


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**SACRAMENTO ENTERTAINMENT & SPORTS
 CENTER DISTRICT
 SACRAMENTO, CALIFORNIA**

PLAT TO ACCOMPANY
EXHIBIT "B"



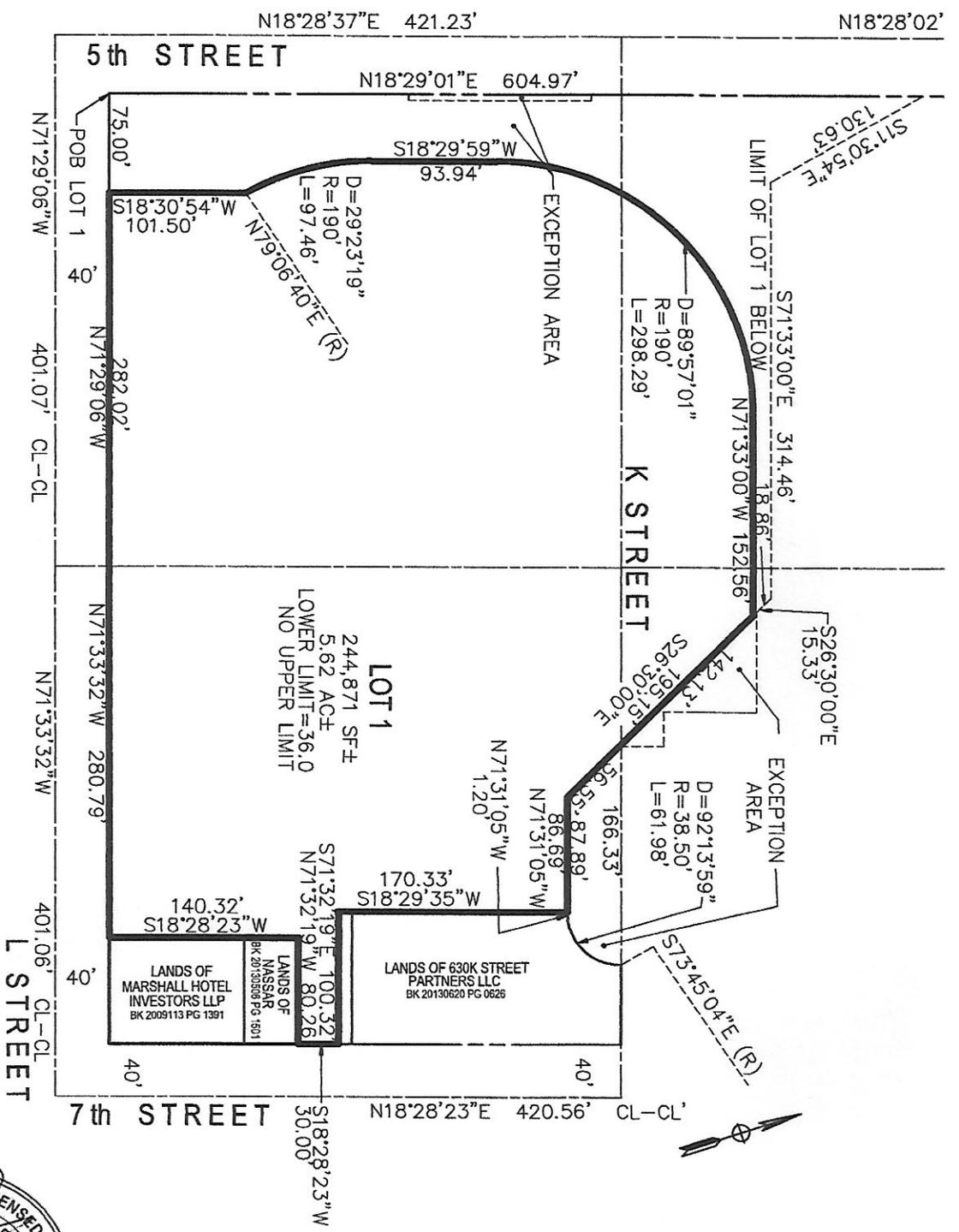
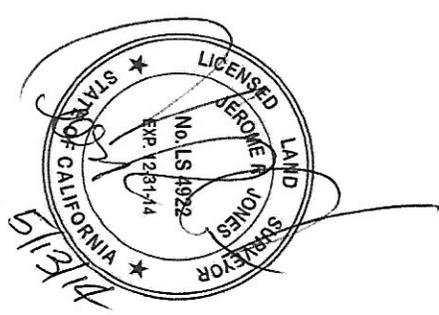
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EXHIBIT "B"
PLAT TO ACCOMPANY
SACRAMENTO ENTERTAINMENT & SPORTS
CENTER DISTRICT
SACRAMENTO, CALIFORNIA



N18°28'37"E 421.23'

N18°28'02'

5th STREET

N18°29'01"E 604.97'

S18°29'59"W 93.94'

S18°30'54"W 101.50'

D=29°23'19"
R=190'
L=97.46'

N79°06'40"E (R)

EXCEPTION AREA

LIMIT OF LOT 1 BELOW

S11°30'54"E 130.63'

D=89°57'01"
R=190'
L=298.29'

S71°33'00"E 314.46'

K STREET

S26°30'00"E 15.33'

D=92°13'59"
R=38.50'
L=61.98'

S73°45'04"E (R)



LOT 1
244,871 SF±
5.62 AC±
LOWER LIMIT=36.0
NO UPPER LIMIT

N71°31'05"W 1.20'

N71°31'05"W 86.69'

N71°31'05"W 166.33'

S18°29'35"W 170.33'

S71°32'19"E 100.32'

N71°32'19"W 80.26'

S18°28'23"W 140.32'

S18°28'23"W 100.32'

LANDS OF MARSHALL HOTEL INVESTORS LLP
BK 2009113 PG 1391

LANDS OF NASSAR
BK 2013059 PG 1501

LANDS OF 630K STREET PARTNERS LLC
BK 20130620 PG 0628

S18°28'23"W 30.00'

L STREET

401.06' CL-CL

40'

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Exhibit C
to
Comprehensive Project Agreement

Arena Design and Construction Agreement

(see attached)

Exhibit D
to
Comprehensive Project Agreement

Arena Management, Operations, and Lease Agreement

(see attached)

Exhibit E
to
Comprehensive Project Agreement

Team Use Agreement

(see attached)

Exhibit F
to
Comprehensive Project Agreement

Arena Finance and Funding Agreement

(see attached)

Exhibit G
to
Comprehensive Project Agreement

Team Non-Relocation Agreement

(see attached)

Exhibit H
to
Comprehensive Project Agreement

Arena Parking Management Agreement

(see attached)

Exhibit I
to
Comprehensive Project Agreement

Agreement for Interim Parking Operations Management

(see attached)

Exhibit J
to
Comprehensive Project Agreement

Property Conveyance Agreement and Joint Escrow Instructions

(see attached)

Exhibit K
to
Comprehensive Project Agreement

Description of Natomas Kings Parcel

(see attached)

EXHIBIT A

PARCEL NO. 1:

All that portion of Lots 24, 25, 26, 27, 28, 49, 52, and 53 of Natomas Central Subdivision, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on September 18, 1920, in Book 16 of Maps, Map No. 3, described as follows:

Beginning at a point located within said Lot 53, from which the Southwest corner thereof bears the following two (2) courses and distances: (1) South $00^{\circ} 25' 15''$ East 282.06 feet to the Southerly line of said Lot 53, and (2) along said Southerly line South $89^{\circ} 34' 45''$ West 446.46 feet; thence from said point of beginning South $26^{\circ} 01' 59''$ East 174.13 feet; thence curving to the right on an arc of 600.00 feet radius, said arc being subtended by a chord bearing South $13^{\circ} 21' 54''$ West 761.65 feet; thence South $52^{\circ} 45' 48''$ West 221.14 feet; thence curving to the left on an arc of 4,000.00 feet radius, said arc being subtended by a chord bearing South $52^{\circ} 16' 03''$ West 69.21 feet; thence curving to the left on an arc of compound curvature with a radius of 25.00 feet, said arc being subtended by a chord bearing South $06^{\circ} 59' 43''$ West 35.22 feet; thence South $37^{\circ} 46' 54''$ East 283.35 feet; thence South $51^{\circ} 01' 24''$ West 120.02 feet; thence North $37^{\circ} 46' 54''$ West 280.89 feet; thence curving to the left on an arc of 25.00 feet radius, said arc being subtended by a chord bearing North $84^{\circ} 13' 51''$ West 36.24 feet; thence curving to the left on an arc of compound curvature with a radius of 4,000.00 feet, said arc being subtended by a chord bearing South $48^{\circ} 11' 57''$ West 156.51 feet; thence South $47^{\circ} 04' 42''$ West 468.19 feet; thence curving to the right on an arc of 500.00 feet radius, said arc being subtended by a chord bearing South $77^{\circ} 11' 23''$ West 501.68 feet; thence North $72^{\circ} 41' 55''$ West 63.89 feet; thence curving to the right on an arc of 800.00 feet radius, said arc being subtended by a chord bearing North $52^{\circ} 35' 43''$ West 549.94 feet; thence North $32^{\circ} 29' 32''$ West 289.40 feet; thence curving to the left on an arc of 1,800.00 feet radius, said arc being subtended by a chord bearing North $44^{\circ} 23' 15''$ West 742.04 feet; thence North $56^{\circ} 16' 58''$ West 116.48 feet; thence curving to the left on an arc of 25.00 feet radius, said arc being subtended by a chord bearing South $78^{\circ} 14' 38''$ West 35.65 feet; thence South $32^{\circ} 46' 14''$ West 416.95 feet; thence North $53^{\circ} 17' 27''$ West 120.28 feet; thence North $32^{\circ} 46' 14''$ East 414.67 feet; thence curving to the left on an arc of 25.00 feet radius, said arc being subtended by a chord bearing North $09^{\circ} 41' 33''$ West 33.76 feet; thence curving to the right on an arc of reverse curvature with a radius of 1,200.00 feet said arc being subtended by a chord bearing North $40^{\circ} 30' 25''$ West 484.58 feet; thence North $88^{\circ} 53' 16''$ East 1,291.74 feet; thence North $54^{\circ} 11' 33''$ East 47.43 feet; thence North $88^{\circ} 53' 16''$ East 485.00 feet; thence South $54^{\circ} 14' 32''$ East 45.00 feet; thence North $88^{\circ} 53' 16''$ East 1,281.57 feet to the point of beginning; described as Parcel 5 in Certificate of Compliance recorded March 7, 1989, in Book 890307 of Official Records, Page 1400.

EXCEPTING THEREFROM all oil, mineral, gas and other hydrocarbon substances below a depth of 500 feet under the above described real property without the right of surface entry; as reserved in the deed from Richard N. Moseman, et al., to Sacramento Sports Association, a partnership, dated June 28, 1979, recorded July 10, 1979, in Book 790710 of Official Records, Page 1243.

PARCEL NO. 2:

Any and all private easements and all necessary utilities, including, but not limited to, water mains, sanitary sewers, storm sewers, electrical facilities, natural gas facilities, cable television facilities, curbs, gutters, roads, streets, and bridges; as set out in the instrument entitled "Reciprocal Easement Agreement and Declaration of Establishment of Restrictions and Covenants Affecting Land", dated March 2, 1989, recorded March 7, 1989, in Book 890307 of Official Records, page 1426.

PARCEL NO. 3:

Easements for ingress and egress in and to that certain tunnel; as set out in the instrument entitled "Tunnel Easement Agreement", dated March 7, 1989, recorded March 7, 1989, in Book 890307 of Official Records, Page 1514.

PARCEL NO. 4:

Easements for parking areas, together with ingress and egress to and from said parking areas; as set out in the instrument entitled "Reciprocal Easement and Operating Agreement", dated July 22, 1998, recorded concurrently herewith.